

**6/26/78**

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# WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Hamilton Jordan to Pres. Carter, w/attachments 18 pp., re: Ambassadorial Appointments	6/23/78	C
Memo	<del>Andrew Young to Pres. Carter, w/attachments 4 pp., re: UN activities</del> opened per RAC NLC-126-13-10-1-5, 6/12/13	6/23/78	A
Memo	<del>Frank Press to Pres Carter, w/attachments 4 pp., re: Science and Technology Delegation to China</del> opened per RAC NLC-126-13-10-2-4, 6/12/13	n.d.	A
<del>Memo</del>	<del>Frank Moore to Pres. Carter, w/attachments 15 pp., re: Weekly Legislative Report</del> <i>AD N60 3/22/00</i>	<del>6/24/78</del>	<del>A</del>

## FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of the Staff Sec.-Presidential  
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## RESTRICTION CODES

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THE PRESIDENT'S SCHEDULE

Sunday - June 25, 1978

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9:50 Depart South Grounds via Motorcade  
en route First Baptist Church.

10:00 Sunday School.

11:00 Morning Worship Service.

THE PRESIDENT'S SCHEDULE

Monday -- June 26, 1978

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8:15 Dr. Zbigniew Brzezinski - The Oval Office.

9:00 Mr. Frank Moore - The Oval Office.

10:30 Mr. Jody Powell - The Oval Office.

11:00 Meeting with Secretary Joe Califano. (Mr. Jack  
(45 min.). Watson) - The Oval Office.

12:00 Lunch with Vice President Walter F. Mondale.  
(60 min.) The Oval Office.

5:00 Senator Edward M. Kennedy. (Mr. Frank Moore).  
(15 min.) The Oval Office.



THE PRESIDENT'S SCHEDULE

Tuesday - June 27, 1978

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8:15 Dr. Zbigniew Brzezinski - The Oval Office.

9:00 Mr. Frank Moore - The Oval Office.

9:15 Meeting with Congressional Group on Greek/Turkey.  
(20 min.) (Mr. Frank Moore) - The State Dining Room.

10:30 Mr. Jody Powell - The Oval Office.

11:30 Vice President Walter F. Mondale, Admiral  
(30 min.) Stansfield Turner, Dr. Zbigniew Brzezinski,  
and Mr. Hamilton Jordan - The Oval Office.

12:30 Lunch with Mrs. Rosalynn Carter - The Oval Office.  
(60 min.)

1:30 Photograph with Mr. Jerry Lewis, National Chairman,  
(5 min.) Muscular Dystrophy Association. (Ms. Anne Wexler).  
The Oval Office.

2:00 Interview with Mr. Bob Ajemian, Time Magazine.  
(30 min.) (Mr. Jerry Rafshoon) - The Oval Office.

2:45 Mr. James McIntyre - The Oval Office.  
(20 min.)

	FOR STAFFING
	FOR INFORMATION
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ACTION  
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	STRAUSS
	VANCE

THE WHITE HOUSE  
WASHINGTON

June 26, 1978

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: The Vice President  
Hamilton Jordan  
Stu Eizenstat  
Jack Watson

LEGISLATIVE WEEKLY REPORT

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

June 24, 1978

~~CONFIDENTIAL~~

MEMORANDUM FOR: THE PRESIDENT  
FROM: FRANK MOORE  
SUBJECT: Weekly Legislative Report

DOMESTIC POLICY ISSUES

1. NATIONAL ENERGY ACT

Conservation - The House/Senate Conference on the Conservation portion of the National Energy Act, H.R. 5037, resumed deliberations on the "Metzenbaum Amendment" banning the manufacture of gas guzzling automobiles. House Conferees insisted on not having the Senate-approved ban, but instead reiterated their belief that there will be an energy tax bill which will include the gas guzzler tax.

-- Senator Jackson stated that he believes there will not be a strong energy tax bill, and, specifically, no gas guzzler tax. Senators Durkin and Metzenbaum indicated that the Administration was asked six months ago for a position paper delineating its position on the tax vs. the ban. Such a paper has never been forthcoming, they said, and the Administration's position therefore is not clear. Senator Metzenbaum indicated that the Administration "appears" to be leaning against the ban and for the tax.

-- Conferees, unable to resolve the issue, recessed the meeting until after the July 4th break.

2. TAX PROPOSAL

-- Since the word of our new strategy has appeared in the press, Treasury has met with all Ways & Means Democrats as a group.

-- We need to do the following:

- a. Determine the content of a "simple tax cut" -- how the cut would be distributed among income groups, between individuals and businesses and whether there should be provisions for either capital gains (such as on residences) or graduated corporate rates. Treasury reports that they have begun working on this.

DECLASSIFIED  
E.O. 12958, SEC. 3.5(b)  
WHITE HOUSE GUIDELINES, AUGUST 28, 1997  
BY                      NARS DATE 3/21/00

- b. Solidify the "base supporters" (now approximately 15) for a simple tax cut.
- c. Concentrate further efforts on "swing" votes. We will need 4 more from the following: Burleson, Gibbons, Cotter, Waggoner, Pickle, Holland, and Jenkins. We may get Waggoner if he can be persuaded that this is the only way Steiger's capital gains amendment will reach the floor.

### 3. REORGANIZATION

#### Civil Service Reform and Reorganization

-- The House Post Office & Civil Service Committee held mark-up sessions on Wednesday, Thursday, and Friday, but managed to complete work on Title I only. Congressmen Harris and Gilman have used every opportunity to delay the process.

-- On Friday morning, the session was marred by a serious dispute between Udall and other Committee Democrats over his introduction of - and support for - an Administration amendment which strengthens management's hand in dismissal proceedings. The vote went in our favor 12 to 11, but Udall and Derwinski had to cast several proxies to pull it off. The issue most likely will be reconsidered on Tuesday.

-- Our concern is not the specific issue in dispute, (although it is an important issue), but rather the fact that it is probably symptomatic of a larger, more dangerous problem. The Administration, with Udall's very active and valuable help, has really pushed the PO&CS Committee from the very beginning, and some resentment is now being evidenced. Also, the "pro-union" and "pro-employee" Members of the Committee (Ford, Clay, Solarz, Spellman, Schroeder, Harris), for genuine philosophical and/or narrow political reasons, are starting to dig in their heels on "management vs. employee" issues. Finally, the fact that Derwinski and several Republicans are generally being supportive of the Administration - and are making no secret of their help - is beginning to irritate some of the Democrats. For instance, Pat Schroeder has indicated that she may not be able to carry our position on veterans preference so long as we continue to "rely on Republicans on other issues." Also, at one point in the debate last week Ford issued a mild threat that he might have to back off the bill completely if things keep going the way they are.

-- At this time, our Legislative Task Force assigned to the civil service project is of the opinion that we have no choice but to pursue the strategy we have followed to date, to keep the pressure on and - if necessary - to try to "roll" those Democrats who resist us. In order to have a reasonable shot

at success, it may be necessary to have you call some more Members of that Committee or have a meeting here at the White House. In addition, we are going to increase pressure from outside groups - especially women and the business community (the trade association and corporate reps you met with last week are eager to help).

gh -- At one point last week Udall complained to Scotty Campbell (only slightly in jest) that we certainly have given him "a thankless task." While Udall is not the kind of Congressman who requires a lot of stroking, and although you have taken every opportunity to express your personal gratitude, we should give some thought to some sort of special "thank you" in the form of a private lunch or dinner at an appropriate time.

-- On the Senate side, negotiations continue with Ribicoff on the EEO question. We remain somewhat hopeful that agreement can be reached this week and that the Committee will report out the bill before recess.

he will do it  
Education

-- Jim McIntyre has called Chairman Brooks to discuss the introduction of a Brooks' Department of Education bill. We have provided Brooks' staff with a copy of the Administration's draft bill and are now negotiating with them on specific language. We will also follow-up with Congressman Brooks on the timing for hearings and co-sponsorship of the bill.

Emergency Preparedness

-- Reorganization Plan No. 3 was transmitted to the Hill Monday, June 19. The 30-day amendment period will end July 29, and the 60-day clock will expire September 16.

4. HOSPITAL COST CONTAINMENT

-- June 21 and 22, the House Commerce Committee (Staggers) continued its markup of H.R. 6575, the Hospital Cost Containment Act, begun June 6. An amendment by Dave Stockman (R-Mich) carried 21 to 20 which would permit hospitals to exempt from the revenue limitations, the full amount of revenues generated by increased admissions. An amendment was defeated 20 to 21 which would have allowed either house of Congress to exercise a veto over a determination by the Secretary that voluntary efforts to control costs had failed and mandatory Federal controls should be imposed. Commerce Committee markup will resume June 27. The margin on the Committee continues to be very close; HEW reports that Rogers hopes to move the bill out on Tuesday.

5. AIRLINE DEREGULATION/NOISE

-- The Senate Commerce Committee will begin mark-up of the Cannon/Pearson Noise bill on Thursday, June 29. The bill, which was rewritten this week, includes almost all of the recommendations

we made on land acquisition, but ADAP authorizations remain too high and Cannon accepted a loan guarantee concept somewhat similar to the House position. The bill would cut the current ticket tax from 8% to 6% and create a 2% noise abatement charge which would go directly to the airlines for use to comply with FAR 36. The program would be mandatory for a period of 12 months. After that DOT would submit a report on the program to the CAB, who in turn would decide if the noise abatement charge should be raised, lowered or abolished. A one House veto provision was added at the request of the airline industry. We will fight this in mark-up.

-- The House Rules Committee may meet on these bills this week. Chairman Johnson of Public Works & Transportation will work on Glenn Anderson to keep the bills separate.

#### 6. SURFACE TRANSPORTATION

-- The Ways & Means Committee has not yet scheduled a date for consideration of the extension of the Highway Trust Fund. In all probability, it will be deferred until after the July 4 recess.

-- Interest groups supporting our position have sent letters to the Members of the Committee urging support for the proposal. The letter was signed by over 20 organizations including the UAW, Common Cause and the League of Women Voters.

-- White House meetings with the highway industry are being arranged at the White House this week, and DOT has requested Ambassador Strauss to use his "jawboning" talents in the meetings.

#### 7. LABOR INTENSIVE PUBLIC WORKS (LIPW)

-- Commerce CL met with Chairman Roe concerning our support of LIPW and his support of another round of Local Public Works (LPW). Roe seems to be determined to go ahead with his LPW III bill.

-- Commerce has requested that you meet with Senators Randolph and Johnston and Congressmen Johnson and Roe to discuss possible combinations of LIPW and LPW III, which would fit within our budget. We are concerned that, if a compromise is not worked out early, we will face another confrontation with Jim Wright and the Public Works Committee. Roe has 160 cosponsors on his bill and Commerce feels he could easily get another 100.

*Be sure  
to get  
our  
position  
clearly on  
the record*

## 8. LABOR LAW REFORM

-- The Senate agreed Thursday to recommit the Labor Law Reform Bill to committee.

-- Because Senator Byrd has made commitments to have the bill back on the floor as soon as possible, the potential for getting a new bill has increased. Byrd wants to win because of his pledge to Labor and because he is not willing to allow conservative Republicans tie up the Senate as they have done on this bill.

-- He will be under intense pressure not to bring a bill back on the floor because of its impact on the elections.

-- Nevertheless, Senator Williams has scheduled a hearing next week solely for Senators to express their views and offer modifications. He then plans a mark-up session on July 14 or 15.

## 9. URBAN POLICY

### National Development Bank

-- The legislation was sent to Congress Tuesday following the Vice President's speech in Atlanta.

-- Hearings are tentatively scheduled in the Economic Stabilization (Moorhead) Subcommittee of House Banking on July 18.

### Supplemental Fiscal Assistance

-- Eizenstat and Treasury are to meet with Chairman L.H. Fountain to fix a timetable for mark up.

### State Incentive Grants

-- Hearings are scheduled by Senate Banking for July 10 and 11, and by Senate Intergovernmental Relations Subcommittee of Governmental Affairs on June 27.

### CETA

-- Dates for floor consideration of both the House and the Senate are still indefinite. The House has expressed the desire to delay the bill until after the July recess (which ends July 9). This may help to avoid amendments by California members trying to weaken the substitution and maintenance of effort provisions as a "bail out."

## 10. ALASKA D-2 LANDS

-- Mark-up sessions in the Senate have finally begun on Alaska D-2 lands. Briefings of the Senators by Committee staff have taken place. Two meetings are scheduled next week. We should have a bill reported by mid-July. At that time, the "Byrd



*This is very important*  
factor" becomes critical.

-- Senator Byrd has a commitment to Stevens based on the latter's support for cloture on labor reform. However, Senator Stevens jumped ship on the last vote, so Byrd's decision may be subject to change.

-- Senator Jackson may put pressure on Byrd by threatening not to report any bills from his Committee until D-2 lands is scheduled. Durkin and Metzenbaum have also threatened to attach the bill on the Interior appropriation bill as an amendment.

#### 11. NO FAULT INSURANCE

-- Although it now appears that No-Fault will not be considered until after the July 4 recess, we are continuing our work with Members and staff of the House Commerce Committee. A decision memo on our strategy is being prepared by DPS for your consideration.

#### 12. HOUSING AND COMMUNITY DEVELOPMENT

-- Congressman Garry Brown is expected to offer a legislative veto provision which probably will pass, despite efforts by HUD, Reuss and Ashley. Congressman Abner will attempt to reverse the HUD field reorganization, but the Department's CL staff believes he will be defeated.

#### 13. ELEMENTARY & SECONDARY EDUCATION

-- The House leadership tentatively scheduled the ESEA reauthorization package for consideration next Monday, but it now appears that the bill will not be taken up until after recess. An amendment to cut the impact aid authorization level in the bill by \$215 million has been worked out; it would leave the bill about \$130 million over current services. Bill Ford is expected to offer the amendment with the support of education groups, assuming current tentative understandings are firmed up.

#### 14. OMNIBUS PARKS BILL

-- On Wednesday, the House Rules Committee granted Phil Burton's parks bill a rule. Then, in a surprise move Friday, the leadership scheduled floor consideration of the rule Monday and final action on Tuesday; previously we were led to believe that it would not be considered until after the July 4th recess.

-- Burton maintains that the bill will cost \$1.4 BILLION, but OMB and Interior calculate it at nearly \$1.8 BILLION. OMB, Interior CL and WHCL met late Friday and decided that Secretary Adams should send a letter to the House on Monday indentifying

our specific concerns. The possibility of having amendments introduced and passed to bring the bill into line with our position is not great, given the short notice. Burton has 220 co-sponsors on the bill; there is something for nearly everybody.

-- We feel that the Senate is the better arena for this fight.

#### 15. NEW YORK CITY AID

-- Treasury is working with various interest groups to canvass and lobby the full Senate to support our NYC legislation.

-- The bill will probably be considered next week.

-- Treasury believes we will carry the Senate by a good margin. Treasury also advises that we should go for quick passage and that modifications would best be left for conference. We will of course re-evaluate this position.

#### 16. CLINCH RIVER BREEDER REACTOR

-- The Senate Energy Committee finalized the "Melcher compromise," which the committee had agreed to in principle last week.

-- The two House authorization bills may go to Rules on Tuesday, with floor action anticipated the following day. Teague has told Jim Free that the Flowers amendment should pass; Teague is helping.

#### 17. APPROPRIATIONS

-- No appropriations bills have been scheduled in the House for the coming week. The Senate will take up the Treasury-Postal bill on Monday or Tuesday. Senator McClure has indicated that he may introduce an amendment to cut the bill as punishment for Treasury's earlier moves on handgun regulations.

-- Remaining Senate mark-ups provide the best opportunity for fixing pending appropriations measures. In anticipation of those mark-ups White House CL and OMB will meet with: Senator Johnston to discuss our proposals on new starts; Senators Bayh and Leahy to discuss our opposition to potential add-ons to the HUD/Independent Agencies Appropriations; Senator Hollings (and maybe Weicker) to discuss our opposition to further EDA add-ons.

-- USDA reports that, "In what can be described as a profile in courage, Senator Eagleton has decided to take up the fight against the Whitten version of the FY79 Agriculture budget."

Eagleton cancelled last week's scheduled mark-up and announced he is reopening hearings. He let it be known privately that he intends to fight items "that were added to our original request. With USDA's help he should succeed in subcommittee, but the full committee fight could get "bloody," according to the Department.

-- The House Appropriations Defense Subcommittee's final mark was approximately \$90 million above our request. This figure includes some \$2 BILLION for the nuclear carrier. It looks like the next test will be in the full Appropriations Committee -- about July 20th. DOD will be working with the full Committee Members between now and July 20th to get support for deleting nuclear carrier funds. It's an uphill fight, but not impossible according to Defense CL.

-- (DOD expects that its Authorization Bill will go to the floor in the Senate the week of July 10th.)

#### FOREIGN POLICY ISSUES

##### 1. TURKISH ARMS EMBARGO

*Best to keep Senate first*  
-- The Senate Armed Services Committee will hold hearings Wednesday on the Military Implications of the Arms Embargo on Turkey. Witnesses -- Secretary Brown, Secretary Vance, General Jones, and General Haig. It is expected that the Senate will act during the second week of July.

-- The House will probably take it up during the third week of July. You will be meeting with 50 Members of Congress on Tuesday.

-- State reports that as Congressional activity proceeds, they will "be seeing whether further flexibility can be displayed by the Turks on the Cyprus issue either in the area of troop reductions or a return of Greek-Cypriot refugees to New Famagusta."

-- Defense reports that many members are reluctant to take the heat back home when they don't see their "leadership" out front.

##### 2. FOREIGN ASSISTANCE APPROPRIATIONS/IFI'S

-- The leadership, in consultation with Dave Obey, decided to pull down the foreign assistance appropriation bill until after the 4th of July recess. The decision was evidently based on an unfavorable Whip count and a belief that the President did not need a foreign policy blow at this time.

The extra time may enable us to improve prospects somewhat, although the delay means that the foreign assistance appropriation and the Turkish embargo may be taken up at roughly the same time. Meanwhile, the Senate will take up the economic assistance authorization on Monday. It is not expected to arouse controversy.

-- On IFI issues, Treasury's vote counts show 229 for or leaning for; 185 against or leaning against. The remainder is in the "unknown" category.

-- Assignments of "swing" votes have been given to the Vice President, White House staff, State and Treasury. Special attention will be paid to 94 Democrats and 27 Republicans.

-- In addition, all Members are receiving letters from George Meany, the U.S. Chamber of Commerce, ADA, UAW, the Steelworkers and the League of Women Voters. Fourteen key House Democrats, including Jim Wright, are working on targeted colleagues; a similar effort directed toward Republicans is underway. Other activities involving peer pressure are also proceeding on schedule.

### 3. ANTI-TERRORISM BILL

-- The SFRC reported out the Ribicoff anti-terrorism bill on Wednesday after refusing to adopt the Administration's recommended changes. The provision for a concurrent resolution veto of a Presidential decision to remove countries from the list of those supporting terrorism remained in the bill.

-- The bill will now be referred to the Intelligence Committee which will probably only focus on intelligence-related provisions. The Aviation Subcommittee of the House Public Works & Transportation Committee will hold hearings on the legislation in mid-July and Dante Fascell has indicated that his subcommittee of the House International Relations Committee will hold hearings later in the summer. State reports that they are working to achieve the necessary changes as the legislative process proceeds.

### 4. U.S./U.S. TAX TREATY

-- On Friday, the Senate defeated the Church reservation on Article 9(4), but subsequently failed to ratify the treaty by a 49 to 32 vote. Absentees cut our way (15 to 3) but we still would have failed to get the necessary two-thirds majority. Treasury has checked with the British and now feels that if we accept the Church reservation (which Britain can "live with") the treaty will be ratified upon reconsideration Tuesday.

*Dante  
should  
help us*

## 5. FOREIGN RELATIONS AUTHORIZATION BILL

*fight this*  
-- The Foreign Relations Authorization bill is scheduled for Senate floor action on Tuesday. It includes the Clark Resolution, which would give a single Member the power to halt the implementation of legislation dealing with international agreements that the Senate determines should have been submitted as treaties. State expects a Rules Committee member to object to the changing to Senate Rules in an authorization bill.

## NOMINATIONS

-- We are moving ahead on four nominations that have been stalled for some time:

*good*  
Omi Walden - The Committee has reviewed (on a confidential basis) Justice Department documents pertaining to the investigation of the Georgia Energy Office. The Committee should report the nomination shortly after hearings on June 29.

Al Gandel - This nomination to the Postal Rate Commission has been before Senator Ribicoff's Committee for several weeks. The Committee has been investigating reports that Gandel is a heavy gambler and that he solicited support from those whose postal rates are regulated by the Commission. We have provided a great deal of information to Committee investigators and urged that hearings be set. The Committee is proceeding cautiously.

McGarry and Zagoria (FEC) - Chairman Pell will set hearings for the week of July 10. This will be a tough fight, but we are in a much better position now that our supplementary investigation on McGarry is nearing to conclusion and no adverse facts have turned up.

Dave Gartner - The Senate Agriculture Committee has scheduled a meeting Wednesday at the insistence of Jesse Helms, to question CFTC Commissioner Dave Gartner's "ties" with grain tycoon Dwayne Andreas. Minority Leader Baker has sent a letter to you urging Gartner's resignation.

## MISCELLANEOUS

-- Phil Burton's reaction to the foreign policy briefing was not widely shared. In fact, we have received word from several Members that it was a great success.

-- Several Members of the House leadership are resigned to the fact that you are going to have to "run against" Congress. They hope you will also recognize their "courage" when appropriate.

-- In view of Paul Rogers' retirement, several of our Hill friends are urging careful advance on NHI.

-- Although Appropriation bills recently considered on the House floor have not been amended to mandate across-the-board two percent cuts, a number of Congressional staff long familiar with the Appropriation and Budget processes do not feel that the Proposition 13 fever has subsided. An additional problem is that there is no agreement on what funding is discretionary and what funding is mandatory. Questions about how the Executive Branch should implement these cuts and what they mean are being asked by only a few people. In addition, the House Budget Committee has asked GAO for a judgement as to whether the Executive Branch will be required to submit impoundment messages if across-the-board cuts are retained in any of the Appropriation bills.

-- The Speaker announced at a whip's meeting Thursday that welfare reform is dead for this year. He also made the announcement at his press briefing Friday. He did so after receiving word from Bob Byrd that the Senate could not take up the bill this year.

-- Jim Corman, Chairman of the Public Assistance Subcommittee of Ways & Means, has indicated that he plans to introduce the cash assistance section of H.R. 10950, the bill reported by his Special Welfare Reform Subcommittee, at the start of the 96th Congress.

-- OMB has been sharing with the Senate Budget Committee staff some of our information on the more troublesome bills. Muskie may help us try to fix these on the floor.

-- OMB believes that the State Department should do more to fight the "high-one" annuity provision. You should mention this to Cy Vance.

*Do this whenever possible*  
-- OMB received information that a career official at HEW had been engaging in some backdoor lobbying to increase the budget for his programs. It was called to Secretary Califano's personal attention. He took swift action and the official (Mr. Ed Martin) wrote a letter to the Senate Subcommittee defending your budget and calling on the Committee to defeat a \$400 million add-on. Three amendments were, in fact, defeated by 6 to 5 votes.

-- Reaction to the Administration's Urban Policy and the activity it has generated was very positive in Atlanta last week. Administration officials, including the Vice President, Harris and Wexler, were received warmly.

-- Press reports on Secretary Blumenthal's efforts with the Ways & Means Committee have described the Administration as giving up on tax reform. A restatement of your commitment to tax reform will help us with our "base supporters" on the Committee -- they do not want to be in a position where they can be described as giving up.

-- For some of this group the only clear message of Proposition 13 is that people are tired of government's unfair methods of collecting taxes.

#### FLOOR ACTIVITIES, WEEK OF JUNE 26

##### House

Monday -- 4 suspensions:

- 1) Reserve Survivors Benefits Act.
  - 2) Army and Air Force Retirement Amendments.
  - 3) Military Retirement Pay Revisions.
  - 4) Early Retirement for Non-Indian Employees of BIA.
- National Parks and Recreation Act of 1978 (Omnibus Parks Bill).
- Civil Rights Commission Act of 1978.

*Again, watch  
present/future  
budget levels  
J*

Tuesday -- 6 suspensions:

- 1) Veterans Disability and Survivor Benefits Act.
  - 2) Increased Compensation for Disabled Veterans.
  - 3) Veterans' and Survivors' Pensions Improvement Act.
  - 4) Prohibit Regulations on Fringe Benefits Taxes.
  - 5) International Investment Survey Act Amendments.
  - 6) Solar Photovoltaic Energy Research Development and Demonstration Act of 1978.
- Complete consideration of the Housing and Community Development Act Amendments.
- Complete consideration of the National Parks & Recreation Act of 1978 (Omnibus Parks Bill).
- Complete consideration of the Civil Rights Commission Act of 1978.

Wednesday

- DOE Authorizations, FY79.

Thursday

- Water Rights for Ak-Chin Indians.
- Justice Department Authorizations.
- Improving Range Conditions for Grazing Lands.

Senate

Monday

- Consideration of three Kennedy health bills: Biomedical and Behavioral Research, Community Mental Health Centers, and a bill to establish a National Institute of Health Care Research.

Tuesday

- U.K. Tax Treaty with the Church reservation included.
- Treasury-Post Office Appropriations Bill.

Wednesday

- Oil Shale Bill.
- Foreign Assistance Authorization Bill.
- State Department Authorization Bill.
- National Science Foundation Bill.



	FOR STAFFING
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	STRAUSS
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	VANCE
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THE WHITE HOUSE  
WASHINGTON

June 26, 1978

Stu Eizenstat

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

DPS WEEKLY REPORT

Stu

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THE WHITE HOUSE  
WASHINGTON

June 23, 1978

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT Stu  
SUBJECT: Domestic Policy Staff Weekly Status Report

NATURAL RESOURCES

OCS: Conference continuing next week.

Cross-Florida Barge Canal: The Senate hearing on deauthorization has been postponed until after the July 4 recess.

Water Policy: Directives to agencies will be completed this week.

Alaska Lands: Senate Energy and Natural Resources Committee beginning mark-up next week.

ENERGY

Solar Policy Domestic Review: Proceeding on schedule.

National Energy Act (NEA): Schlesinger meeting with oil producers and Ullman and Ashley tentatively scheduled for next week. Also working to mitigate the adverse impacts of an Energy Information Administration report on the impacts of the natural gas prices. Schlesinger's staff believes analysis faulty.

Nuclear Waste Management: Continuing to work with Interagency Task Force on development of policy options and recommendations. One issue, spent fuel policy, is on a faster track. DOE will be sending memo to you within next 2 weeks.

Oil Pricing: Working with Energy, CEA, NSC, et al. on oil pricing scenarios and relationship to national security.

CRBR Agreement with the Congress: Senate Committee action produced a compromise basically unacceptable to the Administration. Committee added \$151 million to the base program and, while permitting termination of the CRBR, went further in authorizing a new design study leading toward construction that we can support. Senate floor possibilities under discussion.

#### HUMAN RESOURCES

Welfare Reform: Despite statements by Byrd and O'Neill that there will be no legislation this session, we are pressing the agencies, CEA, and OMB to move quickly towards a proposed revised Administration position with which the State and local government groups agree. Our hope is that a set of options and sound cost figures will be ready in two weeks, and a Presidential decision package ready two weeks after that. This will give us internal agreement as a basis for further negotiations with Congress (particularly Senators Baker, Bellmon, Ribicoff and Long) this Fall, leading toward good prospects for the next session of Congress.

Pension Commission: We are meeting with OMB on Monday in an attempt to finalize recommendations for Commission appointments. We disagree on only a few names. There is very serious doubt as to whether Mr. Kirbo will serve as the Commission chairman. If he decides against it soon, we will have to additionally seek a new chairman.

*I want  
qualified  
experts - Not  
representatives  
of special interest  
groups*

Vietnam Veterans PRM: We will prepare a memo for you that summarizes agency findings and statements of program problems, lists options for improvements, and recommendations for action. The memo should be on your desk early next week.

Humphrey-Hawkins: We are working with key members of Congress to avoid inclusion of a legislative veto. In addition, there is real danger the Senate will add inflexible goals for inflation, balanced budget, Federal spending as percent of GNP, etc.

National Health Insurance: Continuing to work with HEW, OMB and CEA on timing and substance of Administration proposal.

Hospital Cost Containment: The Administration will attempt to overturn a weakening amendment that passed the House Commerce Committee last week and to get the bill reported. Negotiations are underway between Kennedy and Talmadge staffs in the Senate. The Senate Finance Committee markup will continue next week.

## HOUSING AND COMMUNITY DEVELOPMENT

National Consumer Cooperative Bank Bill: We are working with Treasury to prepare a letter to be sent over my signature to key Senators indicating our support.

New York City Financing: The Senate Banking Committee approved \$1.5 billion in long-term guarantees for New York City by a vote of 12-3. The Committee attached several amendments which are somewhat restrictive and which the Administration will seek to remove in Conference. The timing of Senate floor action is uncertain, but it is necessary that legislation be enacted by the end of July.

Urban Policy: Continuing to work closely with Anne, OMB and agencies. Vice President's speech to Mayors well received, and with introduction of the Bank all legislation is now to the Hill.

Neighborhood Commission: Thus far, the Commission has held hearings in Baltimore, Cleveland, St. Louis, Chicago, Los Angeles, and Seattle. They have just issued a Progress Report generally favorable to the Urban Policy and will be submitting a final report within 6 months.

White House Conference on Small Business: In consultation with us, staff for the Conference is developing issue papers for discussion in regional hearings in the following major areas: capital development and tax policy; government regulation and paperwork; technology and industrial innovation. At the request of Senator Nelson, the Vice President has agreed to open a planning and strategy session for the Conference with 200 small business leaders on July 30 at the White House.

## JUSTICE

Stanford Daily Case: Justice is conducting a study on how to respond to legislation introduced in Congress which would bar or regulate searches of the press and other third parties not accused of crimes.

LEAA Reauthorization Legislation: We are working with Justice and OMB to finalize legislation. You will receive final sign-off memo next week.

AGRICULTURE

Sugar: We are working with the several Congressional and industry interests to devise a modification of our former position. We will be providing you with an options paper in the next few days.

CIVIL SERVICE REFORM

The House Committee completed its first week of markup, and harmful amendments such as one requiring pretermination hearings for disciplined employees were defeated. Veterans preference will be considered next week, and the vote should be close. The volatile issue of labor-relations also will be up, and we are working with Frank's staff and Scotty Campbell on a legislative and policy strategy to hold the fragile Democratic-Republican coalition supporting the bill together. House markup could be complete next week. In the Senate, we are working to resolve some thorny EEOC-Civil Service issues raised by Ribicoff and Javits. This plus attorneys' fees awards are the remaining major items for Senate markup.

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THE WHITE HOUSE  
WASHINGTON

6/26/78

Hamilton Jordan  
Tim Kraft  
Frank Moore  
Anne Wexler  
Joe Aragon  
Landon Butler  
Jim Gammill  
Dick Moe  
Jerry Rafshoon  
Phil Wise

The attached is forwarded to  
you for your information.

Rick Hutcheson

# DEMOCRATIC

NATIONAL COMMITTEE 1625 Massachusetts Ave., N.W. Washington, D.C. 20036 (202) 797-5900

John C. White  
Chairman

C  
✓

MEMORANDUM  
June 23, 1978

TO: PRESIDENT CARTER  
THROUGH: RICK HUTCHESON  
FROM: JOHN C. WHITE *John White*  
RE: WEEKLY STATUS REPORT ON DNC OPERATIONS

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## TEXAS TRIP

We have provided materials on issues and races for your briefing book and I will not reiterate them here.

The Dinner in Houston has been sold out for over ten days which is a record for a Texas fund raiser. I anticipate a net of over \$500,000.

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## VOTER REGISTRATION

We had an excellent preliminary meeting today with the labor leadership and other constituent groups. Our staff will be working with Tim Kraft and his staff to assure continual progress in this important area.

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## ISSUES TASK FORCE

The Issues Task Force meeting this week with Anne Wexler and the Congressional Liaison staff focused on taxation and the development of new initiatives to better articulate the accomplishments of the Administration.

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## MID-TERM CONFERENCE

Our Mid-Term Conference staff met with members of your staff and the Vice President's staff on Monday to begin to develop the basic themes which we hope to emphasize in Memphis in December.



THE WHITE HOUSE  
WASHINGTON  
June 26, 1978

Stu Eizenstat

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling. Please  
notify Sec. Harris of decision.

Rick Hutcheson

cc: Frank Moore  
Anne Wexler  
Jim McIntyre  
Charlie Schultze

RE: HOLTZMAN AMENDMENT

Electrostatic Copy Made  
for Preparation Purposes

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
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STH - PLS NOTIFY SECY HARRIS

ACTION  
FYI

(include my  
note)

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<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
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<input type="checkbox"/>	RAFSHOON
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN
<input type="checkbox"/>	WISE

THE WHITE HOUSE  
WASHINGTON

6/25/78

Mr. President:

Watson concurs with Secretary Harris.

Wexler indicates that GAO has issued a report alleging that the FAIR program may be encouraging arson-for-profit through lax regulations and policies. Newspaper accounts of this report appeared June 11-12. Wexler does "not believe we should proceed with HUD's legislative recommendations at least until the GAO report has been analyzed and possibly until any necessary corrective actions are known."

Can  
still  
do  
this

CEA suggests that, in view of persuasive arguments on both sides of the issue, "it seems desirable for OMB to have a group of relevant agencies attempt to formulate a system of incentives to encourage better state regulation. State regulators should not be encouraged to mandate equality of rates between FAIR-plan and regular insurance but rather to assure that FAIR-plan rates make sense by experience-rating and profitability criteria."

Memos from McIntyre and Harris are attached to Eizenstat's memo.

Rick

THE WHITE HOUSE

WASHINGTON

June 24, 1978

C

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *She*

SUBJECT:

Attached Memoranda on "Holtzman Amendment"

The so-called Holtzman Amendment is a provision (Section 307B) of this year's omnibus housing authorization bill, which has been approved by the House Banking Committee. The Administration has never taken a position on this provision, and the insurance industry is lobbying to have it stricken during the House floor debate on the housing bill on Tuesday, June 27. The issue is whether in Tuesday's debate the Administration should support a legislative provision recommended by HUD and opposed by OMB, which in essence is adoption of the Holtzman Amendment.

The provision would prohibit states from charging higher insurance premiums for "redlined" property owners than are paid by other property owners in the state. Specifically, it would require that premiums in FAIR Plans be set no higher than the private market rate for insurance in any given state; a state which violated this standard would be ineligible for federal riot insurance. The FAIR Plan is a program authorized by Congress to provide property insurance to "redlined" property owners who cannot purchase insurance privately or who must pay prohibitive premiums. It is like an assigned risk pool for auto insurance, and the expressed Congressional intent is that FAIR Plans assure that property insurance be available to all consumers in urban areas "at reasonable cost." The availability of federal riot insurance is already predicated upon a state's willingness to provide FAIR Plan coverage, and the question here is whether such coverage should also be provided at roughly private market rates.

Insurance rates (both FAIR Plan and private market) are set by the states. An increasing number of states have raised FAIR Plan rates above private market rates in recent years, but the problem is most acute in New York, where FAIR Plan insurance costs up to 500% more than in the private market. <

The Holtzman Amendment passed the House in 1977 as part of the Housing Act, but was deleted in Conference with the Senate,

which had not acted upon a companion provision. Instead, the conferees directed HUD to study the redlining problem and to report back to Congress "with recommendations for appropriate legislative action" by January 15, 1978.

HUD's Report on Insurance Redlining has been forwarded to the Congress. It documents the "widespread and serious" nature of the insurance redlining problem, but OMB has declined to clear the Report's legislative recommendation --- essentially, the Holtzman Amendment --- despite the Congressional mandate to make legislative recommendations.

Despite OMB's known opposition to the Holtzman approach, the Holtzman Amendment was incorporated into the House version of this year's housing authorization bill. Attempts to delete it were defeated in subcommittee and again in the full Banking Committee, the latter on a bipartisan 28-14 vote.

The Senate Banking Committee made no effort to add the Holtzman Amendment in marking up this year's housing bill; members of the relatively liberal Banking Committee deferred action pending receipt of HUD's Redlining Report and recommendations. The Senate Banking Committee will hold hearings on the Report and the appropriateness of legislative remedies in early July, and Committee staff believe that after favorable House floor action and Senate review of HUD's report, there will be strong support for adding the Holtzman provision by floor amendment.

I recommend that HUD's legislative recommendation be released, for the following reasons:

OMB Position: The "impetus" for this proposal is "the situation that exists in New York City" because of an act of its State legislature. Thus "federal legislation alone cannot resolve the problem," since there is no guarantee that the State legislature would repeal its law.

DPS Position: There are two separate issues. The first is the implied assumption that the problem addressed by this provision is unique to New York. New York is unique in that it is the only State with a FAIR Plan that is "self-rating" --- i.e., where FAIR Plan rates are based only on the loss experience of FAIR Plan recipients, rather than the loss experience of all properties throughout the State. Thus FAIR Plan rates are highest in New York. However, although OMB is correct that the problem is most acute in New York because of its self-rating mechanism, ten states currently charge FAIR Plan property owners a surcharge creating higher rates than are paid by others in the states. In Iowa, many FAIR Plan policyholders pay over twice the cost of insurance in the private market, and there are 25-35% surcharges

in Wisconsin, Minnesota, Missouri and Virginia. The number of states with FAIR Plan surcharges has increased from 3 to 10 in the past three years, and rate increases are pending in other states. My staff received a call from Speaker O'Neill's office indicating that passage of this legislation would be helpful in Massachusetts.

The second issue is whether federal action will be effective, since a state could simply drop its FAIR Plan altogether if it were willing to forego federal riot insurance. OMB is correct in stating that New York's particular problem cannot be resolved without action by its State legislature, regardless of what the Congress does. However, New York State's legislative leadership has indicated that, faced with the prospective loss of federal riot insurance, New York would be inclined to amend its statute to remove the "self-rating" mechanism.

OMB Position: "HUD's alternative of using the '75th percentile of the voluntary market range' for FAIR Plan rates has no statistical basis and would impose an explicit cross-subsidy between the voluntary market and FAIR Plan areas."

DPS Position: There are two issues. The first is how the ceiling on FAIR Plan rates should be set. The Holtzman Amendment pegs FAIR Plan rates at no more than the state "bureau rates" for the voluntary market. HUD's recommendation is that the ceiling be either the bureau rates or the 75th percentile of all voluntary market rates. OMB characterizes Justice as opposing the HUD approach; in fact, the most recent Justice Department view is that it would support a requirement that FAIR Plan rates not exceed the 75th percentile of private market rates. Holtzman is willing to amend her legislation in Conference so that the Bureau rate would not be used and the 75th percentile rate would be used, to reflect Justice's concern. I therefore, recommend that the Administration endorse the thrust of the Holtzman Amendment, and work in the Senate and in Conference to amend the pricing mechanism to reflect Justice's position, which is acceptable to HUD.

The second issue is OMB's concern that the effect of lowering FAIR Plan rates and spreading the cost to the private market would in effect require suburban homeowners to subsidize inner city areas. Our view is that such a "cross subsidy" is implicit in the basic concept of targetting, and that in this instance particularly it is undesirable to penalize inner city residents through what may be exorbitant insurance rates solely because of their location. The purpose of insurance generally is to spread the risk, and the explicit purpose of the FAIR Plan program is to provide coverage at "reasonable cost." It is also worth noting the depth of the "cross-subsidy": the impact of the Holtzman Amendment on non-FAIR Plan policyholders outside New York would be to increase premiums for them by less than 10¢ per \$100 of premium; in New York State the impact would be \$2.00 per \$100 of premium non-FAIR policyholders. It would not have an inflationary impact and simply redistribute the burden.

OMB Position: The view of Justice is that civil rights and

fair housing laws are more appropriate mechanisms to resolve rate disparities.

DPS Position: As noted above, this is not Justice's latest position. Such mechanisms have proven relatively ineffective at the state level in protecting inner city insurance consumers.

OMB Position: The Administration can continue to oppose self-rating without endorsing this legislation.

DPS Position: As noted above, nine states charge higher FAIR Plan rates without self-rating, and the failure to enact this legislation after it was considered twice by Congress would presumably signal other states that substantial FAIR Plan surcharges are permissible.

Beyond the absence of persuasive arguments against the HUD recommendation, I recommend support for the following reasons:

-- Opposition to, or silence on, the Holtzman Amendment makes our urban commitment vulnerable to criticism. Property insurance has been called "the cornerstone of credit"; without it, no lender will invest in home mortgages or commercial ventures. The success of our initiatives to stimulate investment in urban areas -- particularly in blighted sections such as the South Bronx -- are inextricably linked to combatting insurance redlining.

-- Specifically, your urban policy message made strong anti-redlining statements and directed Secretary Harris to head an interagency task force to find ways to address the urban insurance redlining problem. Opposition to the one major piece of anti-redlining legislation before the Congress has already raised questions about the seriousness of the Administration's commitment. Moreover, the Administration strongly endorsed anti-redlining regulations issued by the Federal Home Loan Bank Board. Failure to endorse legislation against insurance redlining would appear contradictory to this endorsement. It would also be contrary to the direction of our urban policy.

-- Continued Administration silence will become increasingly visible as the legislation proceeds. Holtzman and her supporters will use HUD's well-known position and the findings of its Report to embarrass the Administration in floor debate. We have already received inquiries from The Washington Post and New York Daily News. The Senate Banking Committee hearings will draw greater attention to the absence of an Administration-supported remedy for a problem which HUD's Report has documented.

-- The conferees on last year's bill directed HUD to make recommendations, and Ashley and Proxmire have already expressed displeasure at the failure to comply.

-- The Holtzman Amendment is supported by the AFL-CIO, UAW, Consumer Federation of America, and minority groups. House passage is regarded as quite likely regardless of the Administration's position.

-- The Holtzman Amendment involves no budget cost. In fact, HUD's Report indicates it would save federal dollars, since owners of redlined Section 8 housing are passing increased insurance costs on to HUD in the form of higher subsidized rents.

I recommend that we release HUD's recommendation and work in the Senate and Conference to assure that the rate-setting language conforms to Justice's recommendation.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Other \_\_\_\_\_

*Release HUD's recommendation.  
Support actively after assessing  
GAO report re reason - for-  
profit*

*JC*



HARRIS



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

June 9, 1978

MEMORANDUM TO THE PRESIDENT

SUBJECT: Legislative Recommendation on Insurance Redlining

The Department of Housing and Urban Development (HUD) has recommended that the Carter Administration support legislation that creates incentives for the elimination of significant price differentials for property insurance between properties insured voluntarily by private insurers and those insured within a residual pool of properties determined by those insurers to be high risk. This recommendation originally accompanied a Report prepared by HUD in response to a directive from the Congress to study the question of "redlining" of properties in the determination of whether to insure those properties. The Congress also asked HUD "to report to the Congress with recommendations for appropriate legislative action...." The Office of Management and Budget (OMB) has refused to grant clearance to HUD's recommendation although the OMB has cleared the study itself, which has already been transmitted to the Congress. HUD believes that the OMB decision fails to respond to the precepts of your urban policy. We think it is important that you determine whether OMB's view of Administration policy on this issue is consistent with your own position. There is some urgency to this decision because legislation similar to that recommended by HUD may go to the Floor of the House of Representatives as early as next week.

HUD has recommended that the Administration support legislation which would condition the eligibility of FAIR plan participations for the purchase of Federal riot re-insurance upon actions ensuring that FAIR plan rates do not substantially exceed rates set for similar insurance coverage in the voluntary market. The FAIR plans are residual insurance pools created by States in order to make insurers within those States eligible for participation in the Federal Riot Reinsurance Program. The purpose stated for FAIR plans in the original legislation was to assure "fair access to insurance requirements" for all property owners. In the

Report cleared by the OMB, HUD concluded that in some circumstances fair access to insurance is not available to FAIR plan participants because the rates for these persons are inordinately high. HUD's recommendation is intended to remedy this situation by providing an incentive, participation in the Riot Reinsurance Program, for the implementation of a more equitable rate structure for FAIR plans.

Most States already price FAIR plan coverage on a par with voluntary market coverage. Some, however, have substantial price differentials. In New York, for example, a FAIR plan participant pays \$561 for comprehensive insurance coverage that costs only between \$100 and \$200 in the voluntary market. In Iowa, identical fire insurance policies cost \$220 for FAIR plan participants and \$136 in the voluntary market. In addition, several States have shown an inclination to move towards higher differentials between FAIR plan costs and voluntary market costs.

In accordance with OMB Circular A-19, HUD requested clearance for its recommendation and an articulation of why the proposal is "in conflict with the program of the President" (see Attachment A). OMB's response was that "the legislation is not necessary because the situation in New York State did not arise through uncontrollable events but, rather, resulted from explicit action by the State legislature.... Federal legislation is not desirable because it, alone, could not resolve the problem" (see Attachment B).

This does not seem to me to be an adequate reason for determining that the proposal is in conflict with the program of the President. OMB raised no questions about the basic policy recommendation aimed at equalizing insurance costs between the voluntary market and FAIR plans. With respect to their stated concerns, I have only two comments:

1. The OMB response mentions only the State of New York even though HUD's recommendation would impact upon other States with FAIR plans. A growing number of the 28 States with FAIR plans are moving towards allowing substantially higher rates for FAIR plan coverage than for the voluntary market. In Maryland recently, for example, a court struck down a State decision not to allow higher rates for FAIR plans because there was no stated Federal policy supporting substantially equal rates.

2. The fact that additional State action would be required is irrelevant. This is often true when the Federal Government chooses to create incentives for State action rather than mandating particular actions. In fact, the FAIR plans themselves result from voluntary State actions although the Federal Government encourages their establishment by making available riot reinsurance coverage in States which participate.

I believe that the OMB position conflicts with your urban policy and the Administration's consistently strong anti-redlining policy. I recommend that you support legislation, the thrust of which is to place the Federal Government squarely behind FAIR plan pricing schemes which do not make it substantially more expensive for FAIR plan insurance coverage than for similar insurance coverage in the voluntary market.

*Pat*

Patricia Roberts Harris

~~Attachments~~

cc: Honorable James T. McIntyre, Jr.

MCINTYRE



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JUN 1 1970

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *J. McIntyre*

SUBJECT: HUD Appeal on Legislation Regarding Insurance Redlining

Secretary Harris is appealing an OMB decision to withhold clearance for a legislative proposal regarding the premium rates for Fair Access to Insurance Requirements (FAIR) plan property insurance. The Federal Government makes available urban property ("riot") reinsurance to insurers that participate in State-legislated plans to provide inner-city property insurance for its residents. There are 28 States with FAIR plans in force. Currently, the determination of specific rates has been delegated to the States. In most States, insurance premiums are developed on the loss experience of the entire State. In New York State, however, premiums for FAIR plan policies are self-rated, that is, rates are developed based on the loss experience of all the FAIR plan properties in the State. This is due to an explicit action of the New York State legislature, which requires self-rating. As a result, rates charged in the New York FAIR plan (where inner-city risks are concentrated) are three-to-four times higher than those in the voluntary market.

Last year, Congresswoman Holtzman introduced an amendment which would require that FAIR plan premium rates be no higher than the rates suggested by the State rating bureau. The Secretary of Housing and Urban Development (HUD) could allow an increase of up to 30 percent above the advisory rates "upon a showing of extraordinary need." The amendment failed last year, but has been reintroduced.

HUD's proposal endorses the Holtzman approach but modifies it by allowing rates to be set at the bureau level or equal to the 75th percentile of all voluntary market rates and removing the Secretary's authority to make decisions on higher rates. The impetus for this proposal is the situation that exists in New York City.

Initiatives at self-rating have been made by the insurance companies in Rhode Island, Massachusetts, and Maryland through appeal to the State insurance commissions, but these requests have been denied. Differential rates do exist in some States, but these are based on actual loss experience data, not just a perception of higher risk.

As part of OMB's legislative coordination and clearance process, as described in Circular A-19, we circulated the HUD recommendation on the FAIR plans for comment to Justice, Commerce, and CEA. The Justice Department opposes the proposal because it believes reliance on the State rating bureau would constitute Federal endorsement of a noncompetitive cartel-like pricing system. CEA staff was concerned about the advocacy of insurance premium ceilings that would force safer neighborhoods to subsidize real insurance costs of unsafe neighborhoods.

HUD believes the Federal Government should limit any differential between FAIR plan and voluntary market insurance rates within participating States because:

- . Significant differentials, such as those existing in New York, effectively preclude fair access to insurance for those groups FAIR plans were intended to serve. This is inconsistent with the Administration's urban policy and anti-redlining policy.

- . Failure to enact this legislation could encourage other States to adopt self-rating for FAIR plans, similar to the New York policy.

- . The fact that additional State action is required to resolve a problem should not preclude Federal Government action to encourage the resolution of that problem.

OMB recommends that HUD's legislative proposal not be supported because:

- . Since the New York self-rating problem was created by an act of the New York State legislature, Federal legislation alone cannot resolve the problem. In addition, there is no guarantee that this Federal legislation would be successful in inducing the legislature to repeal its law.

- . HUD's alternative of using the "75th percentile of the voluntary market range" for FAIR plan rates has no statistical basis and would impose an explicit cross-subsidy between the voluntary market and FAIR plan areas in those States where FAIR plan costs exceed those in other areas.

. To the extent higher rates for inner-city homeowners reflect discriminatory ratemaking, the appropriate mechanisms for relief are Federal civil rights, fair housing, and equal credit opportunity laws. This position is supported by the Justice Department.

. The Administration can continue to oppose the concept of self-rating without requesting legislation, as recently proven in Massachusetts, Rhode Island, and Maryland.

. Although there are no comparable Federal insurance programs in other areas, such as auto, product liability, malpractice, and workers compensation, there are major pressures for Federal involvement in their availability and affordability (cross-subsidization). This proposal would augment those pressures.



WASHINGTON

DATE: 09 JUN 78

FOR ACTION: STU EIZENSTAT

ANNE WEXLER

JACK WATSON

JIM MCINTYRE

INFO ONLY: THE VICE PRESIDENT

CHARLES SCHULTZE

FRANK MOORE

SUBJECT: PAT HARRIS MEMO RE: LEGISLATIVE RECOMMENDATION ON

INSURANCE REDLINING

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM MONDAY 12 JUN 78 +

+++++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

6/13  
concur by phone

attached

legislation  
delayed until  
Friday  
O.M. will have  
by 6/23

COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

CHARLES L. SCHULTZE, CHAIRMAN  
LYLE E. GRAMLEY  
WILLIAM D. NORDHAUS

June 12, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle Gramley *LSG*

Subject: Secretary Harris's memo on Insurance Redlining

Secretary Harris has raised a complex issue on which there are pros and cons.

- o On the one hand, the availability of housing insurance in older neighborhoods is an essential part of a comprehensive anti-redlining strategy. Fair plans are one way to provide for this availability of insurance. Since these plans are collective activities of insurance companies operating in a given state, there are no private market competitive forces to hold down the premium costs of FAIR plan insurance. This must be regulated. HUD has called into question the appropriateness of standards imposed by State regulators.
- o Two considerations must be taken into account on the other side of the argument.
  - FAIR plans exist to provide insurance for properties perceived to be high risk by insurers. It is, therefore, not reasonable to expect that FAIR plan insurance will be available at the same rate as regular insurance. I expect that the necessity for extra risk premia, their size and how they should be determined are at the root of the OMB-HUD disagreement.
  - Insurance regulation is essentially a State function and it would be undesirable to expand the Federal role beyond the essential minimum. HUD's proposal to use availability of Federal riot reinsurance as an incentive for appropriate State regulation of FAIR plans in a desirable approach but adapting this mechanism to achieve appropriate risk premia may be difficult.

- o In view of these conflicting considerations, it seems desirable for OMB to have a group of relevant agencies attempt to formulate a system of incentives to encourage better State regulation. State regulators should not be encouraged to mandate equality of rates between FAIR-plan and regular insurance but rather to assure that FAIR-plan rates make sense by experience-rating and profitability criteria.



APR 20 1978

Honorable James T. McIntyre, Jr.  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Dear Mr. McIntyre:

I have received a notification from Mr. James Frey that the OMB has agreed to the submission of the report to the Congress entitled Insurance Crisis in Urban America, prepared by the Federal Insurance Administration at the direction of the Congress. The notification further states, however, that the OMB will refuse to clear the legislative recommendations contained in the report. The Conference Report accompanying the Housing and Community Development Act of 1977 directed the Department of Housing and Urban Development to study the effects of FAIR Plan administration on the availability and affordability of insurance coverage "and to report to the Congress with recommendations for appropriate legislative action no later than January 15, 1978." Pursuant to this mandate, HUD forwarded for OMB clearance the above-mentioned report including a single legislative recommendation dealing with a particular abuse of the FAIR Plan. The OMB's refusal to clear this recommendation fails to respond to the clear intent of the Congress as expressed in the Conference Report.

I would not, however, suggest that the OMB clear any legislative recommendation that is not defensible on the merits and does not further the goals and objectives of this Administration, as expressed by the President and others. The HUD proposal, a modification of the so-called "Holtzman Amendment," would require that the eligibility of FAIR Plan members to participate in the Federal Riot Reinsurance Program be conditioned upon actions ensuring that FAIR Plan rates do not exceed either (1) advisory rates set by the State for property insurance in the voluntary market, or (2) the 75th percentile within the normal market for similar coverage. This proposal simply means that in order for private insurers to take advantage of the Federal Riot Reinsurance Program, the rates charged to purchasers of insurance under the FAIR Plan must be reasonably equivalent

to the rates charged to other purchasers of insurance for similar coverage. Such a requirement would further the Administration's policy in opposition to redlining since the provision of insurance at rates substantially above otherwise reasonable rates essentially precludes certain classes of households from obtaining affordable insurance.

The FAIR Plan arose out of provisions created under the National Insurance Development Program, under which the Federal Government provides a Riot Reinsurance Program to insurers within States that adopt FAIR Plans. The FAIR Plans have the purpose of assuring "fair access to insurance requirements" for all property owners. Since the HUD study, in which the OMB concurs, clearly indicates that in some circumstances fair access to insurance is not available to FAIR Plan participants because the rates for these persons are inordinately high, it seems appropriate to forward legislative recommendations that would help to make the FAIR Plans better effect their stated intent. This is all that the HUD recommendation would do.

As you know, under the provisions of OMB Circular A-19, the OMB can prevent an agency from submitting a report of this nature to the Congress only after it determines that it is "in conflict with the program of the President." I have not yet received any articulation by the OMB which would explain how the HUD recommendation is the source of such a conflict. The only communication I have received to date, which I have enclosed, states that the problem described in the report exists in only one State, that it results directly from the requirements of State law, and that it therefore could be resolved by that State.

While this may be true, I find it largely irrelevant. The National Insurance Development Program is designed to provide incentives to States to adopt FAIR Plans. Prior to adoption of this program, any State could have adopted a FAIR Plan-type proposal on its own. The Federal Government, however, decided that it was appropriate to provide incentives to States to take such action. Similarly, the HUD recommendation would provide the same incentive for ensuring that FAIR Plans are adopted which provide for substantially equal access to insurance for all citizens. The fact that any State could, on its own, achieve this result has never been an argument against providing Federal incentives to achieve the same result.

Moreover, the fact that the particular problem of excess charges for FAIR Plan insurance has been identified in only one State does not mean that legislation is not appropriate. First, the potential for similar abuses in other States exists and should be protected against. Second, there are many situations in which legislation is directed towards conditions which exist in a State but which are within the legitimate and continuing interest of the Federal Government, as is the insurance redlining issue.

For these reasons, I am requesting that you provide clearance for the entire report submitted by HUD to the OMB, including the legislative recommendation. Should you determine that the OMB should continue to refuse clearance for the legislative recommendation, I hope that you will be able to articulate more clearly the reasons why you believe the proposal is "in conflict with the program of the President," so that I have sufficient information to determine whether an appeal to the President will be necessary.

Sincerely yours,

/s/ Patricia Roberts Harris

Patricia Roberts Harris

Enclosure

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

4/17/78

Honorable Patricia Roberts Harris  
Secretary of Housing and  
Urban Development  
Washington, D. C. 20410

Attention: Mr. Leslie Platt  
Rm. 10234, 451 7th St., S.W.

Dear Madam Secretary:

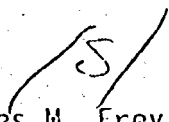
This is in response to the Department's request of February 3, 1978, for advice on a "Report to Congress on Administration of State FAIR Plans."

Extensive discussions were held between our staffs to elicit additional information from the Department and to explain our objections and those of the Department of Justice to the legislative recommendations in the report. A meeting was held in Dennis Green's office on March 16, 1978, to give the Department another opportunity to present new information and arguments supporting the legislative recommendations.

Having carefully considered the Department's representations, we are unable to concur in the legislative recommendations. The problem described in the report exists in only one State, and in that instance it results directly from the requirements of State law. The problem can, therefore, only be resolved by the State. Although a self-rating mechanism has been requested in other States, the State insurance commissions have denied those requests to date. The Department has supported State insurance commissions in those actions with strong policy statements against the self-rating approach and should, in our view, continue to do so.

For the reasons explained during our previous discussions and summarized above, you are advised that, subject to the deletion of the legislative recommendations, the Office of Management and Budget would have no objection to submission of the report to the Congress.

Sincerely,

  
James M. Frey  
Assistant Director for  
Legislative Reference







EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

EXECUTIVE  
SECRETARIAT

MAY 5 10 43 AM '78

RECEIVED

MAY 3 1978

Honorable Jay Janis  
Under Secretary  
Department of Housing  
and Urban Development  
Washington, D.C. 20410

Dear Jay:

The Director has asked me to respond to your letter of April 20, 1978, regarding the report entitled "Insurance Crisis in Urban America."

I fully concur with you that we should not propose legislative recommendations that are not defensible on their merits or are inconsistent with the Administration's programs. Although the Congress has requested that appropriate legislative recommendations be included with this report, we continue to believe that the proposed recommendation is neither necessary nor desirable.

The proposed legislation is not necessary because the situation in New York State did not arise through uncontrollable events but, rather, resulted from explicit action by the State legislature. The State legislature has the power to amend its earlier actions and resolve the problem. The other 26 States which have adopted FAIR plans have, under State authorities, successfully denied requests for self-rating mechanisms. Federal legislation is not desirable because it, alone, could not resolve the problem. The State legislature must still take action and there is absolutely no guarantee that it will do so.

Sincerely,

Dennis O. Green  
Associate Director for  
Economics and Government

250-3  
cc Dale



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

June 9, 1978

MEMORANDUM TO THE PRESIDENT

SUBJECT: Legislative Recommendation on Insurance Redlining

The Department of Housing and Urban Development (HUD) has recommended that the Carter Administration support legislation that creates incentives for the elimination of significant price differentials for property insurance between properties insured voluntarily by private insurers and those insured within a residual pool of properties determined by those insurers to be high risk. This recommendation originally accompanied a Report prepared by HUD in response to a directive from the Congress to study the question of "redlining" of properties in the determination of whether to insure those properties. The Congress also asked HUD "to report to the Congress with recommendations for appropriate legislative action...." The Office of Management and Budget (OMB) has refused to grant clearance to HUD's recommendation although the OMB has cleared the study itself, which has already been transmitted to the Congress. HUD believes that the OMB decision fails to respond to the precepts of your urban policy. We think it is important that you determine whether OMB's view of Administration policy on this issue is consistent with your own position. There is some urgency to this decision because legislation similar to that recommended by HUD may go to the Floor of the House of Representatives as early as next week.

HUD has recommended that the Administration support legislation which would condition the eligibility of FAIR plan participations for the purchase of Federal riot reinsurance upon actions ensuring that FAIR plan rates do not substantially exceed rates set for similar insurance coverage in the voluntary market. The FAIR plans are residual insurance pools created by States in order to make insurers within those States eligible for participation in the Federal Riot Reinsurance Program. The purpose stated for FAIR plans in the original legislation was to assure "fair access to insurance requirements" for all property owners. In the

Report cleared by the OMB, HUD concluded that in some circumstances fair access to insurance is not available to FAIR plan participants because the rates for these persons are inordinately high. HUD's recommendation is intended to remedy this situation by providing an incentive, participation in the Riot Reinsurance Program, for the implementation of a more equitable rate structure for FAIR plans.

Most States already price FAIR plan coverage on a par with voluntary market coverage. Some, however, have substantial price differentials. In New York, for example, a FAIR plan participant pays \$561 for comprehensive insurance coverage that costs only between \$100 and \$200 in the voluntary market. In Iowa, identical fire insurance policies cost \$220 for FAIR plan participants and \$136 in the voluntary market. In addition, several States have shown an inclination to move towards higher differentials between FAIR plan costs and voluntary market costs.

In accordance with OMB Circular A-19, HUD requested clearance for its recommendation and an articulation of why the proposal is "in conflict with the program of the President" (see Attachment A). OMB's response was that "the legislation is not necessary because the situation in New York State did not arise through uncontrollable events but, rather, resulted from explicit action by the State legislature.... Federal legislation is not desirable because it, alone, could not resolve the problem" (see Attachment B).

This does not seem to me to be an adequate reason for determining that the proposal is in conflict with the program of the President. OMB raised no questions about the basic policy recommendation aimed at equalizing insurance costs between the voluntary market and FAIR plans. With respect to their stated concerns, I have only two comments:

1. The OMB response mentions only the State of New York even though HUD's recommendation would impact upon other States with FAIR plans. A growing number of the 28 States with FAIR plans are moving towards allowing substantially higher rates for FAIR plan coverage than for the voluntary market. In Maryland recently, for example, a court struck down a State decision not to allow higher rates for FAIR plans because there was no stated Federal policy supporting substantially equal rates.

2. The fact that additional State action would be required is irrelevant. This is often true when the Federal Government chooses to create incentives for State action rather than mandating particular actions. In fact, the FAIR plans themselves result from voluntary State actions although the Federal Government encourages their establishment by making available riot reinsurance coverage in States which participate.

I believe that the OMB position conflicts with your urban policy and the Administration's consistently strong anti-redlining policy. I recommend that you support legislation, the thrust of which is to place the Federal Government squarely behind FAIR plan pricing schemes which do not make it substantially more expensive for FAIR plan insurance coverage than for similar insurance coverage in the voluntary market.

Is| Pat

Patricia Roberts Harris

Attachments

cc: Honorable James T. McIntyre, Jr.



APR 20 1978

Honorable James T. McIntyre, Jr.  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Dear Mr. McIntyre:

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I would not, however, suggest that the OMB clear any legislative recommendation that is not defensible on the merits and does not further the goals and objectives of this Administration, as expressed by the President and others. The HUD proposal, a modification of the so-called "Holtzman Amendment," would require that the eligibility of FAIR Plan members to participate in the Federal Riot Reinsurance Program be conditioned upon actions ensuring that FAIR Plan rates do not exceed either (1) advisory rates set by the State for property insurance in the voluntary market, or (2) the 75th percentile within the normal market for similar coverage. This proposal simply means that in order for private insurers to take advantage of the Federal Riot Reinsurance Program, the rates charged to purchasers of insurance under the FAIR Plan must be reasonably equivalent

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Moreover, the fact that the particular problem of excess charges for FAIR Plan insurance has been identified in only one State does not mean that legislation is not appropriate. First, the potential for similar abuses in other States exists and should be protected against. Second, there are many situations in which legislation is directed towards conditions which exist in a State but which are within the legitimate and continuing interest of the Federal Government, as is the insurance redlining issue.

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Sincerely yours,

/s/ Patricia Roberts Harris

Patricia Roberts Harris

Enclosure

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D. C. 20503

4/17/78

Honorable Patricia Roberts Harris  
Secretary of Housing and  
Urban Development  
Washington, D. C. 20410

Attention: Mr. Leslie Platt  
Rm. 10234, 451 7th St., S.W.

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James M. Frey  
Assistant Director for  
Legislative Reference





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

EXECUTIVE  
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MAY 5 10 43 AM '78

RECEIVED

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Under Secretary  
Department of Housing  
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Sincerely,

Dennis O. Green  
Associate Director for  
Economics and Government

250-3  
C. Dale

THE WHITE HOUSE  
WASHINGTON

June 26, 1978

Frank Press

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: The Vice President  
Hamilton Jordan  
Zbig Brzezinski  
Phil Wise  
Fran Voorde

SCIENCE AND TECHNOLOGY DELEGATION  
TO CHINA

CONFIDENTIAL ATTACHMENT

DECLASSIFIED

Per: Rac Project

ESDN: NLC-126-13-10-2-4

BY KS NARA DATE 6/7/13

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND
<input type="checkbox"/>	NO DEADLINE
<input type="checkbox"/>	LAST DAY FOR ACTION -

ACTION  
FYI

<input type="checkbox"/>	ADMIN CONFID
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<input checked="" type="checkbox"/>	VICE PRESIDENT
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<input type="checkbox"/>	BERGLAND
<input type="checkbox"/>	BLUMENTHAL
<input type="checkbox"/>	BROWN
<input type="checkbox"/>	CALIFANO
<input type="checkbox"/>	HARRIS
<input type="checkbox"/>	KREPS
<input type="checkbox"/>	MARSHALL
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VANCE

~~CONFIDENTIAL~~

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM TO: THE PRESIDENT

FROM : Frank Press *fp*

SUBJECT : Science and Technology Delegation to China

The Chinese have accepted with evident interest our proposal, made at your suggestion, that I lead a delegation of senior government science and technology officials. (Proposed delegation at Tab A.) This is the highest level delegation of S&T officials the US has ever sent abroad. During the visit, now scheduled for July 7-10, I will meet with China's top science personnel and members of the delegation will meet their counterparts. Our goals are to:

- o establish contacts between senior S&T officials of both governments
- o initiate cooperative projects of mutual benefit
- o offer to help China in developing its civil sector technology through commercial, university, and governmental cooperation
- o achieve at an appropriate future time a broad S&T agreement

We will propose cooperation in a number of specific areas, implementation of which would involve joint projects, exchange of data, coordinated R&D, and training programs:

Satellite Cooperation (Landsat, Seasat, weather satellite, access to shuttle launch)  
Germ Plasma Exchange (plant materials used in genetic research)  
Biological Control of Agricultural Pests (Chinese potential to help us is high)  
Energy Resource Research (prospecting for coal, oil, gas, uranium, thorium, on-shore, off-shore)  
High Energy Physics (a high priority area for the Chinese, a field in which they need training and equipment)  
Earthquake Prediction (Chinese have a great need to predict and are technically strong)  
Molecular Biology/Recombinant DNA (An area of interest to the Chinese to develop new crop forms not requiring fertilization)  
Public Health (epidemiology of chronic disease, childhood immunization cancer)

I am working with Zbig, Cy and the agencies in preparing for this trip.

Would you like to see me for a few minutes to provide final instructions?

Yes ☒

Not necessary ☐

DECLASSIFIED

Per, Rac Project

ESDN; NLC-12C-13-10-2-4

BY KS NARA DATE 6/7/13

CONFIDENTIAL

*I do not want you to go as Santa Claus. Be sure exchanges are equitable & mutually beneficial. - J*

Electrostatic Copy Made  
for Preservation Purposes

TAB A  
S&T DELEGATION

Frank Press	Science and Technology Adviser to the President
Robert Frosch	Administrator, NASA
Richard Atkinson	Director, NSF
John Deutch	Director, Office of Energy Research, DOE
Jordan Baruch	Assistant Secretary of Commerce for R&D
Rupert Cutler	Assistant Secretary of Agriculture for R&D
Henry Menard	Director, US Geological Survey
Ruth Davis	Deputy Undersecretary for Research, DOD (tentative)
Don Frederickson	Director, NIH

(Plus several advisers from NSC, DOS and OSTP)



EXDIS  
~~CONFIDENTIAL~~

June 23, 1978 C

TO: President Carter  
THROUGH: Rick Hutcheson  
FROM: Ambassador Young  
SUBJECT: U.S. Mission to the U.N. Activities, June 14 - 21

U.N. SPECIAL SESSION ON DISARMAMENT

The U.N. Special Session on Disarmament entered its final week. Progress on drafting the final document of the SSOD has been slow and difficult with the shape of the final outcome still unclear. Consensus may be obtainable on the introduction and declaration, however, consensus on a detailed program of action is not yet in sight. The U.S., Soviet, and French delegations are conducting private discussions in an attempt to find an acceptable formula for the disarmament machinery issues relating to the CCD.

Governor Harriman addressed the Ad Hoc Committee on June 21 where he appealed to Third World countries to have patience and confidence in U.S. pledges that it will reach agreements with Moscow curbing the nuclear arms race.

NAMIBIA

The Contact Group has been working to achieve resolution of the two remaining obstacles to a Namibian settlement: Walvis Bay and the location of the South African residual force. On Walvis Bay, representatives of the Group have been meeting with Tanzanian Ambassador Salim to obtain his personal views on our draft language for a Security Council resolution on Namibia. On the location of the residual force, the Group has developed an approach, to be made by the Pretoria Five June 22 to Brand Fourie, in which the South Africans will be asked to agree to the location of the residual force at Grootfontein only. This South African option lies clearly within the Five's settlement proposal which states that the force will be located "at Oshivello or Grootfontein or both". If the South Africans accept this option, the Five will then seek approval from the Frontline and SWAPO for this location.

SECURITY COUNCIL - On June 16 the Security Council adopted a resolution extending UNFICYP (United Nations Peacekeeping Force in Cyprus) mandate for six months, ending December 15, 1978.

AMBASSADOR YOUNG'S OTHER MEETINGS

Jack Greenberg, NAACP, 6/21; Ambassador Hammoud El-Choufi (Syria), 6/21; Yutaka Hata, Member of House and Deputy Secretary General (Japan), 6/21: PRESS - Interview with Gil Noble, Channel 7, "Like It Is", 6/21.

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for Preservation Purposes

EXDIS  
~~CONFIDENTIAL~~

DECLASSIFIED  
Per: Rac Project  
ESDN: NLC-12C-13-10-1-5  
BY: 155 NARA DATE: 6/7/13

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

June 26, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*  
Barry Bosworth *BB*

Subject: Gradual vs. sudden price increases

Your note of June 26 asks whether we overly emphasize or encourage gradual and incremental price increases and thereby minimize consumer resistance.

What we are telling firms is that we expect their cumulative price increases for the 12 months of 1978 to be less than the average for 1976 and 1977. We do not want to have to make judgments on the appropriateness of every price increase as it comes along.

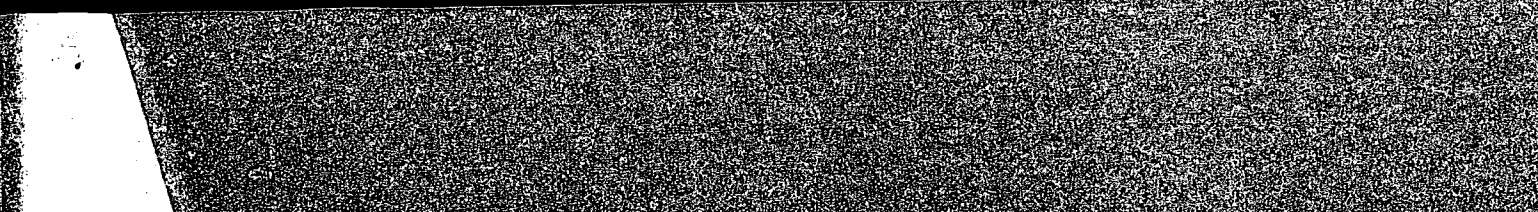
We are dealing with firms on the basis of total price increases during the year precisely in order to avoid being "nickled and dimed" to death -- i.e., a series of small increases, no one of which appears large enough to criticize, but which when cumulated exceed the deceleration standard. In cases like autos and aluminum, we have made it clear that any price increase -- even a small one -- which pushes the total for the year above the deceleration standard will be subject to criticism. In the case of steel, the industry has already virtually "used up" its price increases for the year. Barring unforeseen circumstances, the industry cannot put any more price increases into effect for the remainder of the year without violating our standard (which was slightly stretched to accommodate the costs of the coal settlement).

The auto industry has changed its pricing policy. It traditionally raised prices in one large step at the time of the new model introduction. It is now making smaller incremental changes during the course of the year. The auto companies have agreed to abide by the deceleration standard, measured by cumulating all their increases in 1978 and comparing the total with the average of 1976 and 1977. This will require a price increase of 5-1/2 percent or less for

the year 1978. We will know if they really intend to abide by this in August or September. If their price increases at that time push the cumulative total over 5-1/2 percent, we would react with strong criticism, and they know it.

It may be true that in the case of a consumer good like autos, a series of small increases would minimize consumer resistance. But in fact, what the auto companies have generally been doing is to raise prices by more than a small amount, but only on selected models. While the result is a small increase in the average price level, it is not so small to the buyer of the particular model whose price was increased.

There is no doubt that a focus on cumulative annual price increases has limited our ability to respond in a critical fashion to individual price actions thus far. But as the year wears on, we will be in a position to take an increasingly firm stand as companies approach their price deceleration limits.



THE WHITE HOUSE  
WASHINGTON

FOR THE RECORD:

JACK WAS GIVEN A COPY

cc: J Watson  
J

THE WHITE HOUSE

WASHINGTON

June 20, 1978

MEMORANDUM FOR: THE PRESIDENT  
FROM: RICHARD A. PETTIGREW *Dick*  
SUBJECT: Regulatory Reform

I am very concerned about one aspect of Monday's Cabinet discussion on regulatory reform. There seemed, on the one hand, to be a consensus for the need to develop a strong government-wide capacity to oversee agency regulatory efforts, with the goal of minimizing undue economic burden and duplication. There seemed, on the other hand, to be no recognition whatever by the Cabinet of the important handle on this problem provided by your Executive Order of March 23, 1978.

The Executive Order requires that agencies:

- conduct an open regulation-writing process;
- allow full opportunity for interagency (and intergovernmental) comment;
- fully analyze the impact, economic and other, of each regulatory option they are considering;
- select the least burdensome approach to achieve any mandated objective; and
- conduct systematic sunset reviews of all existing regulations.

Publishing the Executive Order represents only a start. If the new regulatory review mechanism is to become fully effective, it will have to be nurtured by you and OMB. I believe two particular boosts to the present procedures are needed now:

1. A strong indication from you, possibly in a Cabinet meeting, of the importance you attach to active Cabinet officer cooperation with the Order, together with a Cabinet briefing on it; and
2. Devotion by OMB of additional personnel with relevant backgrounds to its oversight role.

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION  
FYI

	ADMIN CONFID
	CONFIDENTIAL
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	VICE PRESIDENT
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	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
✓	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
✓	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE  
WASHINGTON

June 26, 1978

Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Stu Eizenstat  
Jim Gammill

RE: KIRBO AND PENSION COMMISSION



THE WHITE HOUSE  
WASHINGTON

6-26-78

To J. Mc Intyre

Kirbo will not  
serve on Pension  
Commission - Submit  
other names. J C

THE WHITE HOUSE  
WASHINGTON

June 26, 1978

Stu Eizenstat  
Jack Watson

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

		FOR STAFFING
		FOR INFORMATION
	/	FROM PRESIDENT'S OUTBOX
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6/23/78 11 50 am Brown

Called  
Brown  
I

KEY FACTS

- (1) Existing regulations adopted in 1975, in response to court decisions - Rivera case.
- (2) Regulations do not permit any regular employees to be discharged unless all CETA employees in same job category are also discharged.
- (3) There are 50,000 California CETA employees whose prime sponsors are city or county governments; 25,000 CETA employees work for non-profit prime sponsors.
- (4) California would like a waiver of existing regulations, to permit regular and CETA employees to be fired on a one-for-one basis (the pre-1975 practice).
- (5) California prime sponsors met with Labor Department officials in California last week and explained the restrictions of existing regulations.
- (6) The Labor officials said that, instead, they would work to:
  - help governmental prime sponsors move its CETA employees into job categories which are not likely to suffer layoffs of regular employees; and
  - shift as many CETA employees as possible from the roles of governmental prime sponsors to non-profit prime sponsors.

These efforts are now going forward.

Your Response to Governor Brown's Request

(1) We are bound by existing regulations, which follow a court decision.

(2) We are working to help prime sponsors ease the impact of Proposition 13:

-- shifting CETA employees to different job categories.

-- shifting governmental CETA employees to non-profit CETA prime sponsors.

(3) We cannot change the regulations but are doing what we can do within the law.

Alternative Point 3

(3) We will look at your request and be back in touch with you early next week.

(The alternative point 3 is suggested by Stu, who feels you should not give a definitive answer now and should study the issue more thoroughly before responding (even if the response is certain to be the same as the Labor Department has already provided).)

5:00 PM

THE WHITE HOUSE  
WASHINGTON

June 25, 1978

①

MEETING WITH SENATOR EDWARD KENNEDY

Monday, June 26, 1978  
5:00 p.m.

From: Stu Eizenstat  
Joe Onek

Stu

I. PURPOSE

To discuss National Health Insurance.

II. BACKGROUND AND PARTICIPANTS

Background: Senator Kennedy is concerned about reports that the Administration will not announce a broad NHI proposal in time for hearings this fall. As you know, your advisors are now debating when you should announce your NHI decision and what the substance of that decision should be. We are seeking to schedule a meeting with you to resolve these issues later this week. There is a growing consensus within the Administration that it would be a mistake to propose a comprehensive plan in this climate -- regardless of the phase-in period. There is a growing feeling that while Califano might be asked to develop a comprehensive plan, you should propose only a first step -- given concerns about inflation, the budget, and about whether a comprehensive plan (and the cost controls that must accompany it) will work.

Under these circumstances, we recommend you not give Senator Kennedy any definitive answers nor encouragement. Your purpose in this meeting should be to prevent a rupture between yourself and Senator Kennedy at this time and to urge Senator Kennedy to be patient while you resolve these complex issues.

Participants: We are told Senator Kennedy will come alone. You should decide if you want anyone there. Califano and I are prepared to attend at your request.

III. TALKING POINTS

- o You continue to support the goal of a universal, comprehensive, mandatory NHI plan which will assure that all Americans have adequate insurance coverage, and which will promote efficient and high-quality care. The issue is the best way to achieve it.
- o But such a plan faces many obstacles now:
  - Your economic advisors unanimously believe that announcement of an expansive comprehensive plan now would seriously undermine your fight against inflation.
  - The difficulty in securing passage of hospital cost containment, combined with general skepticism about the effectiveness of government regulation, will reinforce the public perception that NHI will contribute to inflation, rather than help combat it -- even though this public perception may well be wrong.
  - Many Democratic leaders, including liberals, have urged you not to propose a plan before the elections. Proposition 13 has contributed still further to their concerns.
- o Many feel proposing a comprehensive plan now would destroy chances for NHI for years to come. All of us should consider whether proposing a broad NHI plan in the current climate would be counterproductive. It might force Democratic candidates either to repudiate NHI or jeopardize their election chances.
- o You do not want to break with Senator Kennedy and organized labor on this issue. You would very much like to hear Senator Kennedy's views on how a broad NHI proposal is compatible with the present mood of the country.

- 3 -

- o During the next few weeks you will make your decision on how to proceed. You will talk with Kennedy, Fraser, and Meany again before you announce that decision.



THE WHITE HOUSE  
WASHINGTON

6/26/78

Mr. President:

Peter Bourne thought  
you should be aware of the  
attached information  
before meeting with Kennedy.  
Hamilton and Jody have not  
commented on the use of  
this forum.

Phil

THE WHITE HOUSE

WASHINGTON

June 26, 1978

1

MEMORANDUM FOR THE PRESIDENT

FROM:

PETER BOURNE P.B.

SUBJECT:

MEETING WITH SENATOR KENNEDY

One issue that Senator Kennedy will certainly raise with you this afternoon is the timing and manner of the announcement of the National Health Insurance principles.

Apart from your general desire to delay any announcement on this subject we face two other problems. We have built tremendous expectations around the announcement of the principles, so that it has become hard to do it in a low key way. And second, the principles we are likely to be able to announce at this point seem to be few and of little substance over and above those already outlined in the SNMA speech of April 1976.

We have talked in the past, and you had agreed, to a general speech on the "Health of America" with particular emphasis on prevention. We have been pursuing the possibility of your making that speech July 27th - 28th at a conference on prevention here in Washington co-sponsored by the AMA and Kennedy. One solution to the problem of the principles would be for you to give that speech making it a general statement about our national health needs and priorities. You could devote part of the speech to National Health Insurance and take that opportunity to announce the new principles plus reaffirming your commitment to those announced in the SNMA speech.

This would allow you to fulfill your commitments on the principles by burying it in a larger speech, rather than making a separate announcement. It would reduce the emphasis on the principles and would wrap more substance around the new principles which would have difficulty from a news standpoint, standing on their own in a separate announcement. Also, it would, I believe, be satisfactory to Senator Kennedy. The timing would also be good. I do not feel you would be giving up much to him by doing it at a conference he was co-sponsoring.

PGB:ss

THE WHITE HOUSE  
WASHINGTON

6/26/78

Mr. President:

Sen. Kennedy wants to meet alone  
with you today. Stu would like  
to know if you want any staff  
there.

Phil

A handwritten signature in cursive script, appearing to be 'Phil', written in dark ink.

THE WHITE HOUSE  
WASHINGTON

6/26/78

Mr. President:

Jody and Gerry would like  
to see you at 3 pm today to go  
over Q & A for the 4 pm press  
conference.

☒ approve ☐ disapprove

Phil

*Phil*

*J*

THE WHITE HOUSE  
WASHINGTON

June 26, 1978

Fran Voorde

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Phil Wise

INVITATION TO 30TH ANNUAL CON-  
VENTION - AMERICAN GI FORUM

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	EYES ONLY

	VICE PRESIDENT
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	MCINTYRE
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	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE



## AMERICAN G I FORUM OF THE U.S.

*Jan*  
*C*

June 23, 1978

HECTOR P. GARCIA, M.D.  
FOUNDER  
1315 BRIGHT STREET  
CORPUS CHRISTI, TEXAS  
78405  
AC 512 • 883-1789  
883-1780

Honorable Jimmy Carter  
President of the United States  
of America

Dear Mr. President;

The American G I Forum of the United States would feel honored with your presence at the 30th annual National convention to be held in Corpus Christi, Texas, the Founder's city on:

Monday, August 7 through Saturday, August 12, 1978.

There will be representatives from about 24 states in the United States. Our group is made up of Mexican American veterans and their families. Mexican Americans and their families will be present.

Dr. Hector P. Garcia, a member of your Presidential Commission on recommending persons to the 5th Circuit Court of Appeals is the Founder.

You will also receive the gratitude of the whole South Texas area for your efforts in keeping the Corpus Christi Naval Air Station in Corpus Christi instead of it being transferred to Florida.

The Mexican Americans gave you 97-98% of their votes would appreciate your attendance. You will be received by all of the community. The best dates would be Friday, August 11 and Saturday, August 12.

"Viva el Presidente Carter".

"Su amigo y servidor;"

Dr. Hector P. Garcia  
Founder

THE WHITE HOUSE  
WASHINGTON

June 25, 1978

Mr. President:

The Callaghan breakfast  
has been scheduled for 7:30 am  
Monday June 26. Zbig's time  
will be at 8:30 am.

Phil

PR:Q



THE WHITE HOUSE

WASHINGTON

June 26, 1978

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✓

Mr. President ----

Chancellor Schmidt has agreed not to insist on the dinner meeting in Hamburg. He has apparently done so without argument and with understanding once the schedule and logistical problems were explained.

Jan

THE WHITE HOUSE  
WASHINGTON

June 26, 1978

The Vice President  
Hamilton Jordan  
Stu Eizenstat  
Tim Kraft  
Bob Lipshutz  
Frank Moore  
Jody Powell  
Jack Watson  
Anne Wexler  
Jim McIntyre  
Hugh Carter

Re: Cabinet Summaries

The attached were returned in the President's outbox today and are forwarded to you for your personal information.

Rick Hutcheson

EYES ONLY



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

June 23, 1978

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues Pending at the Department of Transportation

Improving Government Regulations - In response to your Executive Order on "Improving Government Regulations," on June 1, my Department published in the Federal Register our proposed Regulatory Policies and Procedures and our Regulations Review List. We require that economic cost/benefit analysis be done on all regulations. In addition, we recently published a Regulations Agenda which included all the regulations we expect to issue in the next year. The public comment has been very good and indicated that the information contained in these documents is helpful and informative. We have established a new training course on effective writing and have published a five year rulemaking plan so the public can comment on the administrative priorities.

Additionally, on Wednesday, June 28, I am meeting with the President of Ford Motor Company, Mr. Lee Iacocca, who at your request is doing an analysis of the impact of Federal Regulations on the automobile industry. I will report to you on the results of this meeting next week.

Alleged Omni-Horizon Automobile Handling and Steering Problems - In the most recent issue of Consumer Reports, the Consumers Union labeled the very popular Chrysler Omni-Horizon automobile "non-acceptable." This is having a detrimental impact on the automotive industry. The Department's National Highway Traffic Safety Administration is now conducting an engineering analysis of Consumer Union's testing procedures and results, and an analysis of Chrysler's tests.

Urban Policy/New York City - Pursuant to the personal request of Mayor Koch, I have expedited the approval of the Fulton Street Mall Project (under the Urban Mass Transportation Administration) but have made it clear that this project must be funded within the existing amounts of money for New York City. This is a relatively small project for New York City (\$10 million) out of a proposed \$200 million program this fiscal year. I mention it because it is an example of the continuing series of grants made by Federal Departments to major cities that assist in the improvement of the urban environment.

U.S.-United Kingdom Aviation Discussions - Negotiations with the United Kingdom over additional air service from Boston to London began Tuesday in London. The British are willing to grant the United States the right to designate Boston for multi-carrier service to London by U. S. airlines only if either Pan Am or TWA divert a portion of their New York-London service from Heathrow Airport to Gatwick Airport (40 miles from London). Our negotiators have countered with a number of proposals, but the talks have broken off pending further consideration by the British of our offers.



DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

C

June 23, 1978

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson  
Staff Secretary

SUBJECT: Weekly Report

TRAVEL. The Secretary is in Illinois and Wisconsin for a series of farm meetings with Congressman Paul Simon and Congressman Al Baldus.

ENERGY. New thermal standards for homes financed by the Farmers Home Administration will become effective July 1.

ISA RATIFICATION PERIOD EXTENDED. International Sugar Organization (ISO) officially announced that the period of ratification for the 1978 International Sugar Agreement has been extended to December 31 since about 20 countries, including the U.S. and Canada, have not yet ratified the ISA...the ISO's executive committee has also decided to recommend to a full council session on June 30 that the introduction of the system of contributions for the agreement's reserve stock fund be delayed until October 1.

SOUTH AFRICAN CORN. With its second highest corn production on record (9.9 million metric tons now estimated), exports of about 3.5 million metric tons are expected by South Africa during 1978/79 (May-April)--this would be at or near a record export level. (U.S. sales to the U.S.S.R. for 1977/78 were 10.5 million tons of corn.)

LEGISLATION. House Agriculture Committee reported out the Agricultural Trade Act of 1978 (39-1). Committee adopted Findley amendment allowing the Secretary to extend 3-year CCC credits to non-market economies and the Poage amendment requiring the Department to study export reporting and report to the Committee by Jan. 3, 1979.

A handwritten signature in black ink, reading "Carol Tucker Foreman".  
CAROL TUCKER FOREMAN  
Acting Secretary

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

June 23, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze <sup>CLS</sup>

SUBJECT: CEA Weekly Report

Humphrey-Hawkins. We have run into a snag on the Humphrey-Hawkins bill. As you recall, we negotiated language which gave the President flexibility, after 1980, to propose an unemployment goal different from 4 percent. The Senate Human Resources Committee adopted a provision, sponsored by Senator Cranston, allowing a one-House vote "approving or disapproving" any Presidential modifications to the 4 percent goal. While the vote has no substantive meaning, it nevertheless sets up the possibility of a cheap shot at the President. The bill has subsequently been referred to the Senate Banking Committee and Senator Cranston has decided not to accept an amendment eliminating this one-House veto. The sponsors of the bill still are eager to work with the Administration to develop an acceptable change in the bill; we have let it be known that the Cranston provision is unacceptable. There is still a good possibility that the bill can be amended to be acceptable, but it will be difficult. I will keep you apprised of developments. At markup before the Senate Banking Committee last week, the Committee adopted an amendment to the Humphrey-Hawkins bill that will set a general goal of a balanced budget, and one that sets a goal of reducing the Federal government's share of GNP to 21 percent by 1981 and 20 percent by 1983. We may well see many more quite specific amendments of this kind tacked on to the bill as it works its way through the Senate.

Summit Preparations. CEA is working with Henry Owen on preparation of briefing materials for the Summit. We have responsibility for initial preparation of four briefing papers for the trip.

Regulatory Analysis Program. At the time that you approved the regulatory analysis program last December, you asked that we review the program after six months in operation.

We have commenced that review, and will report to you as soon as our interagency discussions are completed with an assessment of the impact of the program and with proposals for changes in it, if any appear to be warranted.

Federal Reserve. I am beginning to provide background comments to the press, trying in a low-key way to make known Administration views that the Fed is now in danger of overdoing monetary restraint. We need to make it clear, without provoking an open confrontation at this stage, that what the Fed is doing does not represent policy approved by the Administration, and indeed goes against our judgment of what is needed.



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410  
June 23, 1978

C

MEMORANDUM FOR: The President  
Attention: Rick Hutcheson, Staff Secretary

SUBJECT: Weekly Report of Major Departmental Activities

Urban Homesteading Program Expanded to Include Multifamily Housing. The highly successful urban homesteading program, which has been limited in the past to single-family homes, will be expanded to include multifamily housing in a demonstration program in New York City. Two distressed neighborhoods, the South Bronx and the Lower East Side, will become the first testing ground for this program. Two non-profit sponsors will help families rehabilitate their units utilizing a "sweat equity" program, under which tenants will eventually earn ownership in a cooperative apartment. The program was announced in a news conference in New York on Thursday.

Targeted Tandem Program Expanded. The Government National Mortgage Association's (GNMA) "targeted tandem" program has been expanded to include all distressed cities and urban counties. This increases the number of jurisdictions within which FHA-insured multifamily projects are eligible for GNMA below-market mortgage financing from 324 to more than 2,100. This expansion reflects the Department's commitment to assist small, as well as large, cities.

House Approves the Appropriations Bill without Substantial Change. The House approved the HUD fiscal year 1979 appropriations bill in substantially the form recommended by the Appropriations Committee, rejecting a Clarence Miller amendment for a 2 percent across the board cut. The amount provided is consistent with the President's request. The House also rejected an attempt to increase the authorization.

Philadelphia Block Grant Agreement Signed. The City of Philadelphia submitted a compliance agreement that resolves a number of problems uncovered in a Fair Housing/Equal Opportunity investigation of the city, and from an audit of the city's previous block grant records. The agreement commits the city to take positive steps to increase minority participation in program services and to raise the level of minority and female employment in city agencies. The compliance agreement makes Philadelphia eligible for the Urban Development Action Grant (UDAG) program, and its application is now being processed.

Improved Computer Services Permit Better Monitoring of Program Activities. A new automated reporting system to permit the Office of Community Planning and Development to make random, ad hoc inquiries about the progress of Community Development Block Grant programs has been successfully tested. In addition, a new report retrieval system will permit the field to choose the time and sequence of program reporting requirements to better serve local priorities. Both new systems should permit quicker access to project reports from the field at any time.

Pat

Patricia Roberts Harris



U. S. DEPARTMENT OF LABOR  
OFFICE OF THE SECRETARY  
WASHINGTON

"FYI"

C

June 23, 1978

MEMORANDUM FOR THE PRESIDENT

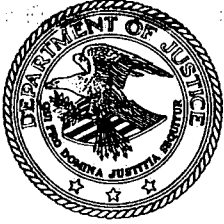
FROM: SECRETARY OF LABOR, Ray Marshall *RM*

SUBJECT: Major Departmental Activities, June 17-23

Civil service reform. I continued my discussions with union groups on the veterans preference. Next week, I intend to make a speech on civil service reform to the national convention of AFSCME (American Federation of State, County and Municipal Employees).

Labor law reform sent back to committee. After talking with Senators Byrd, Williams and Javits, I remain hopeful that the bill can be revived in July. It will, however, face difficult sledding.

Railroad negotiations. I believe that you made the right decision this morning in regard to the rail negotiations. In the near future, I plan to meet with Charlie Schultze, Bob Strauss and Barry Bosworth to discuss the relationship between major labor negotiations and our inflation policy. As the rail situation indicated, this can be very treacherous territory.



Office of the Attorney General  
Washington, D. C. 20530

June 23, 1978

Principal Activities of the Department of Justice  
for the Week of June 19 through June 23, 1978

1. Meetings and Events

On June 21, Vice President Mondale spoke to employees of the Justice Department in the Great Hall and answered questions from them. On June 20, the Attorney General met with the Congressional Hispanic Caucus and representatives of the Mexican-American and Puerto Rican Legal Defense Funds to discuss their concerns over the guarantee of civil rights to Hispanics and problems of alleged police brutality. On June 21, the Attorney General attended the first meeting of the Antitrust Study Commission and then hosted its members for lunch. That same day, the Attorney General participated in a press briefing on the Administration's position regarding the legislative veto. On June 22, the Attorney General testified in the House in support of the Foreign Intelligence Surveillance Act.

2. Lykes-LTV Merger

On Wednesday the Department consented to the proposed merger of the Lykes Corporation with the LTV Corporation. In a letter to counsel, the Attorney General noted that the apparent anticompetitive effects of the merger, resulting from its combining of Youngstown Sheet & Tube Company and Jones and Laughlin Steel Corporation, did not justify blocking the merger because there was a grave probability that Lykes, which owns Youngstown, would fail without the merger. Such a failure would itself adversely affect competition and would also have adverse consequences for employees, creditors, and other parties which might be avoided through the merger.

3. DOJ Policy on Media Search Warrants

On June 22, Philip Heymann, the nominee to be Assistant Attorney General for the Criminal Division, testified before a Senate Subcommittee on the Justice Department's policy on the use of subpoenas and search warrants against reporters and media facilities, procedures recently sustained in the Supreme Court's decision in Zurcher v. Stanford Daily. He testified that strict Department regulations now govern the issuance of subpoenas to the press, and stated that the Justice Department is preparing regulations governing the federal use of search warrants for media facilities.

THE WHITE HOUSE  
WASHINGTON

C

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Press *FP*

SUBJECT: Progress Report of Science and Technology Advisor

1. You approved my leading a delegation of senior government S and T officials to China. The trip will occur in July or August. It will include the directors of NASA, NSF, NIH, USGS, and assistant secretaries for R&D from Agriculture, Commerce and Energy. Proposals for cooperative efforts in S and T are being prepared together with proposed talking points. This is the highest level technological delegation we have ever sent to any country.
2. My annual meeting with Deputy Prime Minister Kirillin (whom you met last year), dealing with the senior US/USSR S&T agreement is scheduled for July 17. Although a number of scientific delegations to the USSR have been cancelled in recent weeks due to personal decisions of the scientists involved, we are planning to go unless there is a major "trial" in the interim. The Soviets have been unusually cooperative this past year in trying to improve their performance. Both trips are being coordinated with Zbig and Cy.
3. The comprehension review of Civil Space Policy which you requested by September 1 has been initiated by the Space Policy Review Committee established under PD-37. Task forces have been established in such areas as: strategy for satellite design and launch which takes into account shuttle capability; develop national space exploration and space application goals for the next decade; management plans for LANDSAT; and improved transfer of technology and data between civil and national security space programs.
4. I am working with Jack Gilligan and Henry Owen to setup the Planning Office to prepare the charter, structure, and budget for the new Foundation for International Technological Cooperation (FITC) which you approved as part of the AID reorganization. FITC will provide a focus for marshalling US Science and Technology in and out of government to support developing countries.
5. The Domestic Policy Review of the problems of Industrial Innovation in the U.S. is now underway. Your approval of this activity amounts to the highest level of attention it has ever received. There is widespread support from industry, labor and the press.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

June 22, 1978

MEMORANDUM FOR THE PRESIDENT

OFFICE OF THE  
ADMINISTRATOR

SUBJECT: Weekly Status Report

Over the past two weeks we have summarized our efforts to reduce the burdens imposed by our regulatory programs. Our activities go beyond simply streamlining the traditional regulatory machinery. We are also developing alternative approaches which will allow flexibility to find the least expensive means of achieving environmental goals. Among alternatives offering the promise of major cost savings are:

- o The "bubble concept," which involves setting emission limits for an entire plant rather than for each smokestack or sewer pipe. Under this approach a company will have an option on where to invest in pollution control.
- o Pollution offsets, which allow a firm facing costly pollution controls to negotiate arrangements providing for tighter controls on neighboring plants instead, if this will achieve the same cutback in emissions at a lower cost. This approach is now being used in our air program.
- o Marketable permits, which involve "auctioning off" a limited number of permits to use a valuable but potentially hazardous substance. This approach uses the efficiencies of the marketplace to set prices and to decide who gets the right to use the materials. We are now exploring the possible use of this approach in regulating certain uses of aerosols which can damage the earth's atmosphere.

Some of the other regulatory initiatives we are exploring (and in some cases implementing) include emission charges, permitting provisions designed to promote innovative technologies, and special incentives to promote improved operation of pollution control equipment. We are also providing the staff work for the Resource Conservation Committee's investigations of new ways (for example, solid waste disposal charges and deposits on beverage containers and other products) to encourage recycling and resource conservation.

All of these new approaches require careful analysis before they can be put into effect on a broad scale. Some will also require legislative changes, and some will undoubtedly run into other obstacles. There has already been one court ruling against the bubble concept, for example. Nevertheless, we are confident that many, if not all, of them will prove effective and that they will ultimately go a long way toward reducing the cost impact of pollution control.

A handwritten signature in cursive script, reading "Barbara".

Barbara Blum  
Acting Administrator



Administrator

June 23, 1978

MEMORANDUM FOR THE PRESIDENT

THRU: Rick Hutcheson

SUBJECT: Weekly Report of GSA Activities

Chiles Hearings

I testified today during the second day of hearings held by Senator Lawton Chiles on cases of fraud uncovered at GSA.

Nashville Train Station Project

The Senate Public Works Committee passed the prospectus for the renovation of the Nashville Union Station. This will be the first train station to be converted to Federal space. We hope to have the project completed in time for Nashville's bicentennial.

Annual Mayors' Conference

I attended the Annual Conference of Mayors this week in Atlanta and spoke to a group of approximately 100 mayors about the urban policy. They were very interested in our program of renovating train stations for use as Federal space. They were also enthusiastic to hear of the availability of railroad property which may be used in the revitalization of urban areas. I have been extremely pleased with the relationship we at GSA have established with all of the mayors with whom we have met to talk about urban policy.

  
JAY SOLOMON  
Administrator



THE SECRETARY OF THE TREASURY  
WASHINGTON

June 23, 1978

C  
/

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

CIVIL SERVICE REFORM

I am sending regular information bulletins on the Reform to our employees.

UK TREATY

*We didn't  
do our  
homework*

Our loss of the Treaty Friday in the Senate was a hard blow. We expected a closer vote and were hurt badly by absences.

NEW YORK CITY

The timing of the Senate vote remains uncertain, but a favorable outcome seems certain. We will wait until Conference to iron out the several problems in the Senate Banking Committee bill; our prospects in Conference are also good.

FINANCIAL MARKETS

The Open Market Committee of the Federal Reserve Board raised the Federal Funds Rate by 1/4 point this week, which is bringing along significant increases in all short term interest rates and further declines in stock prices. This action puts short term interest rates near the maximum levels that Treasury-CEA-OMB forecasts have assumed would pertain through 1978 and 1979. If monetary conditions continue to tighten, which is not unlikely, our internal projections of 4 percent real growth in GNP for 1978 and 1979 will probably have to be shaded downward.

For the present, I think we should refrain from criticizing the Fed.

- We would come out on the short end of any public confrontation. The Fed's actions reflect an anxiety about inflation which is generally shared throughout the country. Also the press would have great fun with our inability to get along with Miller.

- . Public criticism would make it much more difficult for Miller to moderate the conservative forces within the Open Market Committee. He would have to redouble efforts to prove his "independence" of the Administration.
- . A public dispute would cause great concern and uncertainty in domestic and international financial markets.
- . Most importantly, the Fed has not yet been clearly "wrong" in its monetary policy.

If the Fed continues tightening, that line may be breached. We can at that point subtly distance ourselves through background briefings and the like.



W. Michael Blumenthal



THE WHITE HOUSE  
WASHINGTON  
June 26, 1978

Secretary Califano

The attached was returned  
in the President's outbox  
today and is forwarded  
to you for appropriate  
handling.

Rick Hutcheson

SWINE FLU CLAIMS



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

June 23, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on HEW Activities

The following is my weekly report on significant activities in the Department of Health, Education, and Welfare:

- Cost Containment. It now appears that the Commerce Committee will vote the bill out next week. Tim Lee Carter abandoned us for one vote, but is now back on board and will vote to report the bill out. He supported an amendment that will further reduce the bill's savings. This in turn has caused some of the liberals to think about moving off the bill. It is truly a delicate situation. We hope to develop a germane amendment to reduce the damage done by this week's amendment that both the liberals and Dr. Carter can support.
- Welfare Reform. I met yesterday with Al Ullman and Jim Corman. They are now under tremendous pressure from their colleagues not to take a welfare bill to the floor this year. They have talked to the Speaker, who has in turn talked to Senator Byrd. The ultimate rationale: the calendar. The filibusters in the Senate make it impossible to deal with everything this year: the Speaker does not want to proceed with welfare unless both Houses can pass a bill. This message was passed to the House Whips by the Speaker on Thursday.

I asked Ullman and Corman nonetheless to complete work on a draft bill using the New Coalition specifications. I think it important that we have a finished piece of work as a starting point for any discussions about the shape of an incremental bill that could be introduced next year. They agreed.

- Legislative Initiatives. We will present a short briefing for you on Monday on possible HEW legislative initiatives for next year. The purpose of the briefing is to state some important problems, describe options we are exploring, and get any guidance you may have at this early stage in their development.
- Adolescent Health Speech. On Monday, I will speak to the Institute of Medicine. The theme: adolescence is a crucible for promoting good health or developing health problems. There are immediate health problems

that are too often not addressed because adolescents have left their pediatrician but need more than the crisis care afforded most adults. But even more important, adolescence is a time in which critical habits -- attitudes toward smoking and drinking and nutrition, etc. -- are formed that shape personal health for the rest of one's life. The health professions must focus more attention on adolescents' health needs. This speech is a precursor of the major statement on prevention that I hope you will be able to make this summer.

- Swine Flu Claims. After close consultation and agreement with the Department of Justice, we have decided not to make claimants prove negligence in cases brought by those who participated in the Swine Flu program and who contracted the Guillain-Barre syndrome. That syndrome results in temporary paralysis and, in rare instances, permanent paralysis or death. The reason for the decision: the informed consent form that was given to participants in the Swine Flu program did not mention Guillain-Barre and was clearly defective. Although the government may not have been technically negligent (because the effects of Guillain-Barre were not known at the time), we think it unfair to bar recovery for people who followed the government's urging to get a flu shot not knowing of Guillain-Barre.

However, each case will be reviewed carefully to make sure that the occurrence of Guillain-Barre resulted from a Swine Flu shot and that the amount of compensation is appropriate. At present there are more than 400 cases pending, alleging more than \$370 million in damages. Many of these claims are significantly inflated. Although we cannot give a hard number, we expect that the ultimate financial exposure will be less than \$50 million.

*I think  
this is  
excessively  
lenient.  
Protect U.S.  
gov't within  
bounds of  
your public  
statement*

*Joseph A. Califano Jr.*

Joseph A. Califano, Jr.

THE WHITE HOUSE  
WASHINGTON  
June 30, 1978

Hamilton Jordan

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
your information.

Rick Hutcheson

cc: Tim Kraft  
Jim Gammill

MIKE O'CALLAGHAN



THE SECRETARY OF THE INTERIOR  
WASHINGTON

cc Ham  
J.

June 23, 1978

MEMORANDUM TO THE PRESIDENT

From: Secretary of the Interior


Subject: Major Topics for the Week of June 19

It looks like the tuna are scheduled to meet us on Saturday, July 1. Phil is putting it together.

As you create the Federal Emergency Management Agency let me suggest Mike O'Callaghan as the possible Director. He was in the old Office of Emergency Preparedness under the Johnson Administration and he is loyal.

The Alaska legislation is being marked up in the Senate Committee. Jackson says it will be sent to the floor after the July recess. At that point I may need your help with Senator Byrd.

Attached is the two page "News Summary" on your Water Policy that Stu asked me to send you.

  
CECIL D. ANDRUS

## W A T E R P O L I C Y R E F O R M NEWS SUMMARY

### MAJOR PRESS

"...Carter's...new water policy...must be put down as progress...a foot in the western door...slammed shut...in 1976." (L. A. Times Jack Germond and Jules Witcover)

"...While avoiding a direct attack...Carter...is seeking a major departure from past legislative practices in which water projects were doled out as political plums..." (Dick Kirschten/National Journal)

"...Carter's actions are likely to do little to staunch the hemorrhage of water and money in the West...But no previous President had the nerve to tackle the problem at all..." (Newsweek)

"...Carter...seems to have won a clear victory in round 2 of its battle for western water reform..." (Rocky Mt. News/Jerry Brown)

"...Carter's policy...clearly represents an awareness...that political prudence dictates a more conciliatory approach to the emotional issue of water..." (Gordon White/Deseret News)

### STATE REACTION

GOV. BRUCE BABBITT: "It's a hell of a lot better than the original proposals..."

GOV. RICHARD LAMM: "The West can definitely claim a limited victory."

GOV. ARTHUR LINK: "...it appears to be a positive step...It seems to allow states enough latitude and flexibility to participate in water policy plans..."

GOV. SCOTT MATHESON: "said...he 'has the uneasy feeling' that a 'lot of the language in the message which appears innocuous will provide the basis for a heavy hand of additional bureaucratic costs and delays.'..."

GOV. ED HERSCHLER: "...Carter's water policy is much better than the Western states expected...We think with our water development program we may be able to participate."

GOV. MIKE O'CALLAGHAN: "Generally the Governor applauded the President's program."

SEN. FLOYD HASKELL: "The president's policy...is 'a mixture of innovations, reasonable solutions and new concepts which need further exploration by state and local interest...'"

SEN. PETER DOMENICI: "...the President's water policy...represents a sound beginning, one we must weigh with great care..."

SEN. JENNINGS RANDOLPH: "...the general thrust...is based on the realization that our water supplies are not limitless...the administration and Congress must now 'translate this approach into a workable program'"

SEN. GARY HART: "Praised the administration's initiatives..."

REP. MORRIS UDALL: "I think the policy is a good, workable compromise..."

#### EDITORIALS

WASHINGTON STAR: "...Carter...seems to have struck an acceptable...medium between environmentalists and would-be dam builders... His threat...to veto a swollen House public works bill...may be an indication of his resolve." 6/12

NEW YORK TIMES: "...the...program seems like a reasonable political compromise. But it can be successful only if the President stands firm against porkbarreling politicians in Congress..." 6/12

WASHINGTON POST: "...Carter has tried hard to produce a reasonable and politically acceptable program. Will it have much effect? That depends on...Carter's willingness to be very firm with Congress..." 6/8

ROCKY MOUNTAIN NEWS: "...Carter's proposals seem to strike a reasonable balance between competing forces which rarely see eye to eye on anything..." 6/11

DESERET NEWS: "President Carter deserves high marks for...good intentions..." 6/7

CHICAGO SUN-TIMES: "...Carter's new...policy strikes a delicate balance between long range needs and political realism."

SEATTLE TIMES: "Carter's...proposals constitute a worthy compromise that deserve public support." 6/11

CHICAGO TRIBUNE: "...the...President...has retreated to a position so equivocal that both western governors and conservation organizations are expressing tempered approval..." 6/8

11:00 Am

THE WHITE HOUSE

WASHINGTON

June 23, 1978

YOUR MEETING WITH SECRETARY JOE CALIFANO

Monday, June 26, 1978

11:00 a.m. (45 minutes)

Cabinet Room

From : JACK WATSON 

I. PURPOSE

Joe will present charts outlining HEW's major programmatic initiatives for next year. There will be no specific legislative proposals, and the meeting will simply seek your thoughts and general reactions to six basic issues:

- (1) Long-term care; <
- (2) Mental health; <
- (3) Disability; <
- (4) Youth; <
- (5) Aging; <
- (6) Higher education. <

II. PARTICIPANTS

Secretary Joe Califano  
Under Secretary Hale Champion  
Henry Owen  
Ben Heineman  
Leonard Schafer  
Stuart Eizenstat  
Jim McIntyre  
Anne Wexler  
Jack Watson



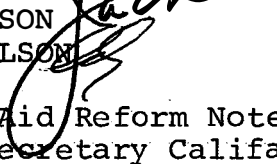
WATSON BACKGROUND MEMO  
ON HEW'S PERFORMANCE

THE WHITE HOUSE

WASHINGTON

June 23, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON   
LARRY GILSON  
SUBJECT: Federal Aid Reform Notes for Monday Meeting  
with Secretary Califano

As noted last week I plan to give you prior to each Monday morning one on one session with a Cabinet member a brief description of his/her agency's performance in implementing your directives. Following is a summary of HEW's relevant actions along with a sample of significant public comments on apparent agency failures to comply. The public comments have been forwarded to Secretary Califano for detailed response. If you could refer to these items in your meeting with Secretary Califano it would be helpful to our efforts to encourage full agency compliance.

HEW has generally been in the forefront in implementing your directives of September 9. Since that date, HEW has:

- ° Identified 2800 grant recipients (\$1.2 billion) for conversion from check to letter of credit payment under new Treasury guidelines issued last December and actively worked with Treasury to convert all eligible grants; HEW currently has 3162 letters of credit with annual advances of \$52 billion;
- ° Eliminated numerous reports including 15 in the Health Care Financing Administration and 15 in the Social Security Administration on old age and disability benefit programs;
- ° Identified 1392 planning requirements in 58 separate programs and is moving to eliminate 8 percent and simplify an additional 50 percent (will require 1039 statutory and administrative changes);

- ° Fully implemented those portions of the directive which impose a limit of 1 original and 2 copies of any application or reporting form, single signatures, abbreviated modification and grant renewal procedures, and allows grantees the option of choosing which set of rules to operate under when there are administrative rule changes during the life of a grant; and
- ° Initiated Operation Common Sense to evaluate the agency's grant procedures with an eye toward establishing a core set of generally applicable agency rules, sunset review of regulations, and simplified administrative requirements.

Often repeated public criticism about HEW's federal aid actions includes:

- ° Failure to distribute reporting forms, information requirements, and audit schedules on a timely basis; this is especially true for the Office of Education and in all programs for the handicapped;
- ° Office of Education requiring a completely new set of plans for the renewal of State Facilitator and ESEA Title VI grants as well as duplicative material for grant modifications under the Vocational and Adult Education Act;
- ° HEW's Office of Education and Office of Civil Rights each requiring that student populations be categorized by race and ethnic minority, then requiring that the information be submitted in different formats;
- ° Office of Education continuing to require 2 original signed applications and 5 copies of the grant application under the Vocational Technical and Adult Information Act of 1976 before funding; in all, there are 7 certifications required, and these must be signed by 8 different individuals;
- ° Failure to specify the format and issue instructions for the collection and reporting of 1977-1978 Vocational Education Data to be submitted in June 1979; and

- ° Requiring three separate plans for each of the 3 programs in the summer lunch program (run in conjunction with USDA) even though the information is constant over time and the goals of the program elements are part of an overall plan.

THE WHITE HOUSE  
WASHINGTON

June 26, 1978

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. The signed original has been given to Bob Linder for transmittal to the Hill.

Rick Hutcheson

cc: Bob Linder

MARITIME ADMINISTRATION AUTHORIZATIONS

THE WHITE HOUSE

WASHINGTON

June 24, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Shu*

SUBJECT:

Enrolled Bill S. 2553 - Maritime  
Administration Authorizations

You must decide by Monday, June 26, whether to sign or veto this bill.

THE BILL

Authorizes appropriations of \$496.7 million for maritime construction and operating subsidies, and for maritime research, education and administration. The bill also raises the ceiling on the ship construction loan guarantee program from \$7 billion to \$10 billion. The authorization level is \$2.2 million above your budget, but the House appropriations committee has reported appropriations \$13.0 million below our level. The higher loan guarantee ceiling is needed to continue our ship construction program (primarily for LNG carriers) although the added authority may not be needed until 1980.

THE VOTES

-- House - 326 - 86

-- Senate - Voice

ARGUMENTS FOR SIGNING

This is a routine authorization bill which is within 4/10 of one percent of your recommendation. A veto would certainly shock the maritime industry and could probably not be sustained.

ARGUMENTS FOR VETO

In a letter to the second ranking Republican (McCloskey) on the House Merchant Marine and Fisheries Committee, OMB has objected to the lack of budgetary controls and strict eligibility criteria in the maritime loan guarantee program. The Committee failed to modify the bill to meet OMB's concerns.

AGENCY AND STAFF RECOMMENDATIONS

All agencies contacted, including OMB, recommend that you sign this bill, except Treasury which "would support a veto recommendation."

All senior staff who commented recommend that you sign this bill. I recommend that you sign the bill.

OMB has recommended that you issue a signing statement associating yourself with their letter to McCloskey and directing the Commerce Department to prepare legislation to modify the loan guarantee program. I believe that it would be unwise for you to sign such a statement. The McCloskey letter dismayed and antagonized the maritime community. The OMB legislative proposals have little chance of passage and are certain to stir criticism from the shipbuilding industry (which is facing layoffs as high as 40,000 workers beginning this fall). Signing the OMB statement would simply arouse political opposition while serving no productive end.

You can -- and should -- issue a directive to the Commerce Department for corrective legislation without a signing statement. We could work with OMB on this directive if you desire.

Frank and I recommend that you sign this bill, but issue no statement.

DECISION

\_\_\_\_\_ ✓

Sign S. 2553

\_\_\_\_\_

Veto S. 2553

\_\_\_\_\_ ✓

Prepare Directive to Commerce Department J

\_\_\_\_\_

Issue Signing Statement

THE WHITE HOUSE  
WASHINGTON

6-26-78

To V.P.

Please let me see  
a draft of your  
Israel speech fairly  
early in the  
process.

J.C.



THE WHITE HOUSE  
WASHINGTON  
June 26, 1978

Charlie Schultze

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Barry Bosworth  
Stu Eizenstat

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
✓	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION  
FYI

*cc Bismuth*

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
✓	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
✓	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE  
WASHINGTON

6-26-78

To Schulze

Do we overly emphasize  
or encourage  
gradual & incremental  
price increases (steel &  
autos)? This conceals  
high net increases &  
minimizes consumer resistance.

J.C.

cc Bosworth

ACTION

Last Day for Action - Monday, June 26

THE WHITE HOUSE

WASHINGTON

June 24, 1978

*Stu, Frank, Jim.  
If it was owed  
to you, would  
you not collect  
it?*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*

SUBJECT:

Enrolled Bill H.R. 1436  
Relief of William H. Klusmeier  
(Sponsor - Rep. Pickle, D-Texas)

*J*

THE BILL

The enrolled private bill would relieve William H. Klusmeier, publisher of the Austin Citizen, of liability for \$6,575.23 in unpaid postage. This is the difference between the amount which should have been paid and the amount actually paid by Mr. Klusmeier for second-class mailings of the newspaper for the period from March 5, 1973 to August 10, 1974.

On March 5, 1973, the newspaper changed its frequency from weekly to two issues per week. In July, 1974 the paper began to be published three times per week. Weekly newspapers are entitled to a special second-class rate that is heavily subsidized to ensure that sparsely populated areas have regularly delivered newspapers. Newspapers published more frequently are not entitled to rates that are as greatly reduced. The publisher, acting on the erroneous advice of the Texas Newspaper Association and incorrect information from his local post office, paid a lesser rate than was provided by law. The error was discovered by the postal service during an audit and in January, 1976 the publisher was billed for the balance that was due. This bill provides that the balance will be paid from general revenues.

VOTES IN CONGRESS

The bill passed the House by unanimous consent and the Senate by voice vote.

#### ARGUMENTS FOR SIGNATURE

- This is a private bill, sponsored by a Democrat, and involves only \$6,000.
- Three similar private bills have been signed by previous presidents.
- The Congress appears to have found that the publisher relied at least in part on erroneous advice from the Postal Service.

#### ARGUMENTS FOR VETO

- In fairness and equity, the publisher clearly owes money to the Postal Service.
- The taxpayers should not subsidize delivery of the Austin Citizen at a greater rate than required by public law.
- The erroneous low rate was of no crucial importance to the publisher's decision to increase the frequency of his newspaper. He continued to use the mails to distribute his newspaper after higher rates were charged beginning in September 1974 and has continued to mail his newspaper at the proper rates until the present.
- The Postal Service believes that the publisher either knew or should have known that he was not paying enough postage.

#### AGENCY AND STAFF RECOMMENDATIONS

OMB recommends approval and the Postal Service recommends a veto, each for the reasons given above. Anne and Bob recommend signature as the bill involves very little money and passed unanimously by the Congress.

I agree that this bill should be signed. Although Congressman Pickle, the sponsor of this legislation, has not been particularly helpful to us and Congressional Liaison advises nothing would be lost from their standpoint if the bill is vetoed, a veto does not seem in order here.

The newspaper initially acted on the advice (subsequently proven to be erroneous) of the Texas Newspaper Association that their paper was not considered a daily unless published three times or more per week and was therefore still eligible for the lower weekly rates. In August of 1974 at a meeting between the parties, the local Postmaster, representing the Postal Service, told the newspaper he would waive collection of the past due amount,

while applying the proper rate for the future because the Postal Service itself had computed the postage erroneously and because of the delay in requesting the additional postage. Because of Mr. Klusmeier's good faith reliance, the erroneous calculations of the Postal Service, the decision by the local Postmaster to waive collection (not reversed until January 1976 by the Washington office of the Postal Service) and because relief has been granted in three similar cases by Congress in recent years, a veto would be inappropriate.

DECISION

Sign H.R. 1436 \_\_\_\_\_

Veto H.R. 1436 \_\_\_\_\_

THE WHITE HOUSE

WASHINGTON

June 26, 1978

MR. PRESIDENT:

In response to your question: Stu-Jim-Frank, if it was owed to you, would you not collect it?

No, not if I had acted in the way the Postal Service had done here, initially telling the man in August of 1974 that the Postal Service would waive collection of the amount past due and would only apply the proper rate for the future, and in light of his good faith reliance on the erroneous calculation initially made and not reversed until several years later by the Postal Service.

In short, the Postal Service has "unclean hands". On the other hand, if you veto this bill the foundations of the Republic will remain solid.

  
Stu Eizenstat



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

June 26, 1978

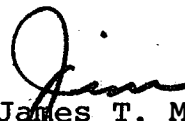
MEMORANDUM FOR THE PRESIDENT

Subject: Your note on Stu's Memo on Enrolled Bill  
H.R. 1436 - Relief of William H. Klusmeier

The decision on this bill was a close call. If the debt were owed to me, I would personally have pressed for collection. OMB recommended approval of the bill, mainly because:

- the errors in computing the postal rate and in misinforming Mr. Klusmeier of his liability were made by local postal officials.
- when the error was discovered in August, 1974, the local postmaster told Mr. Klusmeier that he would waive collection of the past due amount, although this exceeded his authority; it was only in January, 1976, that the national office of the USPS demanded payment of the entire amount.
- three earlier enrolled bills with similar factual situations, i.e., errors made by Postal Service leading to underpayments, were signed into law.

While OMB recommended approval, we would have no serious problem if you decide to veto the bill.

  
James T. McIntyre, Jr.  
Director





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

26 JUN 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: Jim McIntyre *Jim*

SUBJECT: House Action on Appropriations Bills

It is important for you to understand at the outset that the House and Senate Appropriations processes will in total show a reduction from your budget. However, in our judgment this is a phony reduction which obscures significant budget changes.

1. The totals.--The Speaker gave you figures indicating a reduction of \$3.2 billion from your budget for the eight bills on which the House had completed work and anticipated a total \$4.5 billion reduction for all bills now scheduled. Our interpretation of these figures is as follows (in millions):

	<u>Total change</u>	<u>Changes that do not affect program totals</u>	<u>Effective changes</u>
Subtotal--completed			
June 20 .....	-3,204	-3,137	-67 (+1,158)
Total--scheduled appropriations bills (11 bills) .....	-4,545	-4,266	-279 (+1,158)

As you can see from these totals:

- We agree that the 11 appropriations bills scheduled through June will show a reduction of \$4.54 billion from your budget. (Note: Two bills, Defense and the District of Columbia, have not been reported.)
- We believe that \$4.27 billion of this reduction is phony -- composed, for example, of paper cuts in uncontrollable programs.
- These totals mask significant increases to actual programs in many appropriations bills.
- The totals also mask significant decreases to your budget in one important area, foreign aid.

- . We conclude that the numbers cited in the Speaker's memorandum are profoundly misleading. Through the use of false cuts they erroneously imply large reductions from your budget, and they mask massive changes in priorities.

2. Changes that do not affect program levels -- false cuts

<u>Appropriations bill</u>	<u>Total change</u>	<u>Changes that do not affect program levels</u>
Treasury .....	-29	- 0 -
Transportation .....	-221	-137
Public works .....	-234	-609
Labor-HEW .....	-754	-1,228
Military construction .....	-408	--
Legislative .....	-72	--
HUD .....	-1,309	-1,000
State-Justice .....	-177	-163
Interior .....	-174	-643
Agriculture .....	-76	-486
Foreign aid .....	<u>-1,091</u>	<u>--</u>
Total .....	-4,545	-4,266

We believe that 94% of the reductions cited by the Speaker's memorandum came from misleading changes that do not affect programs. These include the following:

- . Changes in estimates for mandatory programs or offsetting revenues. These are judgment calls; the House may or may not be more accurate than the Administration; in any event, it is a highly dubious practice to claim as a reduction a simple reestimate. In the final analysis, we will have to pay whatever is required.
- . Reductions in amounts that will be needed later, including deletion of Administration-proposed full funding; failure to recognize losses already incurred; failure to recognize contingencies (for example, for firefighting).
- . Technical changes that affect appropriation accounting but not programs.
- . Counting as reductions deferrals for lack of authorization that will be included in later supplementals. (Sometimes these deferrals are counted; mostly they are not. In all, more than \$20 billion has been deferred.)

Five typical examples you might cite are:

1. Public works.--The House eliminated \$178 million for the full funding of atomic energy construction and claimed the action as a reduction, though funds must be restored later. The House also increased revenue estimates by \$159 million for the sale of uranium and other materials which it then used in lieu of appropriations.
2. Labor-HEW.--The House decreased by \$1 billion uncontrollable programs in which fraud and abuse have been found. Almost certainly these mandatory payments will have to be restored.
3. Transportation.--The House eliminated \$166 million for full funding of FAA flight service stations and Coast Guard bridge alterations. The reductions claimed must be restored.
4. Agriculture.--Mandatory payments for the Commodity Credit Corporation were cut \$411 million. These payments, which cover prior losses, will have to be made later.
5. HUD.--The House assumed \$1 billion more in loan repayments and therefore cut \$1 billion from borrowing authority. This is doubly misleading since borrowing authority is automatic.

3. Changes that do affect program levels -- policy changes

<u>Appropriations bill</u>	<u>Total change</u>	<u>Changes that affect program levels</u>
Treasury .....	-29	-29
Transportation .....	-221	-84 (+1,158) <sup>1/</sup>
Public works .....	-234	+375
Labor-HEW .....	-754	+474
Military construction .....	-408	-408
Legislative .....	-72	-72
HUD .....	-1,309	-309
State-Justice .....	-177	-14
Interior .....	-174	+469
Agriculture .....	-76	+410
Foreign aid .....	-1,091	-1,091
Total .....	-4,545	-279 (+1,158) <sup>1/</sup>

---

<sup>1/</sup> Increase in obligation ceiling in Transportation bill.

- . In total, policy changes sum to only \$279 million. However, this is composed of \$1,728 million in increases to four appropriations bills and \$2,007 million in decreases to seven appropriations bills. Three-fourths of the decreases are in two bills, Military construction and Foreign aid. In other words, the small net policy changes obscure substantial differences in priorities between the Administration and the Congress.
- . The Transportation appropriations bill includes a \$1.16 billion increase in the obligation ceiling for highway and mass transit programs that does not show up as an appropriations budget increase. But these limitation increases permit more spending from available funds for both programs.
- . Increases in four other bills raise the spending base for future years and add to our problems in the critical budget years of 1980 and 1981. In total, we expect these bills might add \$1.5 billion or more in spending each year. The more significant increases include:
  - Public works.--Over \$300 million for energy research, including \$144 million for continuation of the Clinch River Reactor and \$232 million for water resources projects. The increases are partially offset by a 2% general reduction of \$207 million.
  - Labor-HEW.--National Institutes of Health, \$306 million; student assistance, \$258 million; health resources, \$123 million, mostly for health profession education; and elementary and secondary education, \$103 million. The increases are also partially offset by an unspecified 2% cut, totalling \$413 million.
  - Interior.--Forest service, \$188 million; energy programs, \$90 million; Indian affairs, \$62 million; Land management, \$55 million; and Geological survey, \$52 million.
  - Agriculture.--Agricultural conservation, \$90 million; Child nutrition, \$75 million; and Soil Conservation Service, \$68 million.
- . Decreases in Military construction include deletion of NATO projects totalling \$200 million, affecting your overall NATO objective; \$88 million in various Navy projects; and \$32 million for the space shuttle runway at Vandenberg.

- . As of last week, the Foreign assistance bill had been reduced \$1,091 million including: \$877 million for International Financial Institutions, continuing the arrearages problem; \$102 million for functional development assistance, primarily for food and nutrition programs; \$69 million for military assistance and \$30 million for Sahel development.

#### 4. Conclusions

- . The statement that Congress has cut the Administration's budget by \$4.5 billion is highly misleading. We do not believe that Chairman Mahon would argue this point.
- . When these dubious numbers are pared away, important differences in priorities appear in seven appropriations bills: Transportation, Public works, Labor-HEW, Interior, Agriculture, Military construction, and Foreign aid.
- . The Congress will argue that despite these differences, the true differences in totals are inconsequential. We would argue that the policy changes the House has made create important problems for future budgets, and involve significant alterations in the priorities you expressed in the 1979 budget.

CONGRESSIONAL LIAISON'S  
COMMENTS

THE WHITE HOUSE

WASHINGTON

June 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE  
BILL CABLE

*F.M./BR*  
*BC*

SUBJECT:

MCINTYRE APPROPRIATIONS MEMO

While Jim's memo accurately reviews the budget figures, I strongly feel that it overstates in an inflammatory way the real differences between the Congress and our budget request. The Congressional staff and OMB staff agree that the real difference is approximately \$200 - \$300 million. The balance is in institutional differences in treating estimates.

What the analysis shows is that at this stage with just House action, there are 4 or 5 bills where the House has changed your FY 1979 budget priorities. Some of these will be worked out by the time the bills reach your desk -- others probably won't -- but in future discussions with the Speaker it would be helpful to focus more on the real policy differences rather than arguing over total numbers.

Electrostatic Copy Made  
for Preservation Purposes

Suzanne Little boy.  
"Good to  
meet you"

Scooter Malone J

P. O. BOX 296  
CROWLEY, TEXAS 76036

297-1177



June 26, 1978

To Scooter Malone

It was good to meet you when I was in  
Texas! I know your family and friends  
are very proud of you, and I am too!

Sincerely,

JIMMY CARTER

Scooter Malone  
Post Office Box 296  
Crowley, Texas 76036

110

85

7806271835

Susan -  
"th"  
LMS  
J

Dear President Carter,  
Thank you so much  
for taking the time to  
sign these pictures to us.  
They will be treasured  
forever -

I would like for you  
to have this neck piece  
with Willie's picture as  
just a small token -

Thank you

Thank you so much  
Again -

Mrs. Willie  
Nelson



The Hulse-Walway Co.

1973

June 26, 1978

To Connie Nelson

I want to thank you for the Willie  
Nelson neckpiece and pin. I am proud  
to have you and Willie as friends!

*Nelson*  
Sincerely,

**JIMMY CARTER**

Mrs. Connie Nelson  
Post Office Box 27417  
Denver, Colorado 80227

10

30 neckpiece and pin

780627 1835

PRESIDENT JIMMY CARTER  
NEWS CONFERENCE OPENING STATEMENT  
ON TAX POLICY  
MONDAY, JUNE 26, 1978, 4:00 P.M.

PROPOSED TO

AT THE BEGINNING OF THIS YEAR, I ASKED A CONGRESS TO ~~ADOPT TAX~~  
~~PROPOSALS THAT WOULD MEAN~~ <sup>TAX</sup> SUBSTANTIAL RELIEF FOR ALMOST EVERY TAXPAYER  
IN AMERICA.

I ALSO ASKED FOR  
THOSE ~~PROPOSALS WOULD ALSO HAVE MADE~~ SOME IMPORTANT AND  
LONG-OVERDUE REFORMS IN OUR UNFAIR AND <sup>COMPLICATED</sup> ~~CHAOTIC~~ TAX LAWS.

(--OVER--)(LAST WEEK IT BECAME CLEAR.....)

2

LAST WEEK IT BECAME CLEAR THAT THE CONGRESS IS SERIOUSLY CONSIDERING  
A TAX BILL THAT CONTAINS NO MAJOR REFORMS AT ALL.

THAT'S BAD ENOUGH.

BUT THIS NEW CONGRESSIONAL PROPOSAL IS EVEN WORSE.

IT ACTUALLY ATTEMPTS TO TAKE A STEP BACKWARD THROUGH <sup>SOME</sup> ~~A~~ VERSION OF  
THE SO-CALLED STEIGER CAPITAL GAINS ~~PROPOSAL~~ AMENDMENT.

(--NEW PAGE--)(THE STEIGER PROPOSAL.....)

PROPOSAL  
THIS AMENDMENT

3

THE STEIGER PROPOSAL WOULD ADD MORE THAN \$2 BILLION TO THE  
FEDERAL DEFICIT.

EIGHTY PERCENT OF ITS TAX BENEFITS WOULD GO TO THE ONE-HALF  
OF ONE PERCENT OF TAXPAYERS WHO MAKE OVER \$100,000 A YEAR.

THREE THOUSAND MILLIONAIRES WOULD GET TAX REDUCTIONS AVERAGING  
\$214,000 APIECE.

(--OVER--)(THE OTHER 99-1/2 PERCENT OF.....)

4

THE OTHER 99-1/2 PERCENT OF OUR TAXPAYERS WOULD NOT DO QUITE  
SO WELL.

FAMILY WHICH  
FOR INSTANCE, A MIDDLE-INCOME ~~PERSON WHO~~ MAKES BETWEEN \$20,000  
AND \$30,000 A YEAR WOULD GET AN AVERAGE TAX CUT OF ONE DOLLAR.

AND THE WORKING MAN OR WOMAN WHO MAKES \$20,000 OR LESS WOULD  
GET NO MORE THAN 25 CENTS.

(--NEW PAGE--)(THE AMERICAN PEOPLE WANT SOME...)

THE AMERICAN PEOPLE WANT SOME RELIEF FROM THE <sup>HEAVY</sup>~~CRUSHING~~ BURDEN  
OF TAXATION.

<sup>NEITHER</sup> BUT <sup>NOR I WILL</sup> THEY WILL ~~NOT~~ TOLERATE A PLAN THAT PROVIDES HUGE TAX  
WINDFALLS FOR MILLIONAIRES AND TWO-BITS FOR THE AVERAGE AMERICAN.  
THAT UNDERESTIMATES THE INTELLIGENCE OF THE AMERICAN PEOPLE.

(--OVER--) (AS A NATION, WE NEED TO ....)

~~AS A NATION, WE NEED TO ENCOURAGE CAPITAL FORMATION SO AS TO  
CREATE JOBS AND MODERNIZE OUR INDUSTRIAL PLANTS.~~

~~BUT~~ MY PROPOSALS TO REDUCE THE TAXES PAID BY LARGE AND SMALL  
BUSINESSES SO THAT THEY CAN INVEST IN NEW EQUIPMENT, <sup>AND JOBS</sup> IS A MUCH MORE FAIR  
\$ EFFECTIVE APPROACH THAN PROVIDING HUGE TAX GIVEAWAYS TO MILLIONAIRES.  
~~IN THE HOPE THAT THEY MIGHT POSSIBLY DECIDE TO INVEST SOME OF THEIR  
TAX WINDFALL.~~

(--NEW PAGE--) (NOT ONLY BUSINESSES BUT ALSO....)

AND

~~NOT ONLY~~ BUSINESSES ~~BUT~~ ALSO AMERICAN WORKING FAMILIES DESERVE

A REAL TAX CUT THIS YEAR.

AND OUR TAX CODE BADLY NEEDS TO BE MADE SIMPLER, FAIRER, AND  
MORE EFFECTIVE.

(--OVER--)(I AM WORKING HARD FOR.....)

8

I AM WORKING HARD FOR TAX REDUCTION AND TAX REFORM.

BUT ONLY CONGRESS CAN PASS LAWS.

~~IT IS UP TO CONGRESS TO ACT RESPONSIBLY ON THE TAX PACKAGE~~

~~I HAVE SUBMITTED.~~

I AM STILL CONFIDENT THAT, IN RESPONSE TO THE OBVIOUS DESIRES

OF THE AMERICAN PEOPLE, CONGRESS WILL ~~DO JUST THAT~~ ACT RESPONSIBLY  
ON THE TAX PACKAGE I HAVE SUBMITTED,

# # #  
THE AMERICAN PEOPLE EXPECT & DESERVE  
NO LESS.



THE WHITE HOUSE  
WASHINGTON

RICK

PHIL HAS SEEN.

NELL

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AUTHORITY: Convention on Great Lakes Fisheries between the U.S. & Canada signed at Washington, 9/10/54, and P.L. 557, 84th Congress, 2d Session - 6/4/56.

Amendment of the above-named Convention (Executive T, 89-2), ratified by the Senate 3/1/67, by the President 5/1/67 and proclaimed by the President 7/19/67 (The amendment increased the Commissioners from 3 to 4) SEE: NOTE below

METHOD: Appointed by the President.

MEMBERS: FOUR Commissioners of whom one shall be an official of the U. S. Government; and two shall be persons residing in Great Lakes States duly qualified by reason of knowledge of the fisheries of the Great Lakes, of whom one shall be an official of a Great Lakes State and both shall not be residents of the same State.

NOTE: Dean Rusk's ltr to the President of 9/14/66 states that the addition of the 4th Commissioner will permit the appointment of a Commissioner from the eastern Great Lakes area (Erie & Ontario). The two current public members are representative of the Western area (Superior, Michigan & Huron).

CHAIRMAN &

VICE CHAIRMAN: Selected annually by the members. The Chairman shall be selected from one Section and the Vice Chairman from the other Section.

TERM: Pleasure of the President.

SALARY: No compensation for their services as such Commissioners.


PURPOSE: To administer a program for control of sea lampreys in the Great Lakes. ("Great Lakes State" means any of the following States: Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania or Wisconsin)

THE WHITE HOUSE

WASHINGTON

June 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JERRY RAFSHOON 

SUBJECT: INTERVIEW WITH BOB AJEMIAN, TIME BUREAU CHIEF  
JUNE 27, 1978, 2:00 p.m., THE OVAL OFFICE

This interview is in anticipation of a TIME cover on inflation (next week, unless Bakke case interferes). TIME people have already been briefed on the budget and your actions by McIntyre, Cutter and Moore and on inflation by Strauss and Bosworth.

Ajemian's interview is twofold:

- 1) Get your tough, realistic, hardnosed assessment of your "hold the line" philosophy. He needs to be impressed by your resolve here.
- 2) After establishing this (in his first meeting with you as bureau chief) he wants to get a feeling of you and where your mind is at:

Are you discouraged by your low standing in the polls?

Do you think you can turn it around?

Why, after a period of accommodation, are you confronting Congress? He knows from O'Neill that you were very tough at your leadership breakfast a few weeks ago. Are you still of that mind? I assured him you were. O'Neill told him he didn't think you were going to veto anything.

He wants a feeling of your own serenity and philosophy of the job and how you view the forces that swirl about you.

This shouldn't be the standard Q & A on issues such as SALT, energy, etc., but a free form "give-and-take" which will enable him to get a sense of you and will enable you to be more thematic.

TIME plans to pay this up big. I wish we had more time, but I believe if you relax with Bob, it will pay off. He is a great admirer of Kirbo and his style.

THE WHITE HOUSE  
WASHINGTON

June 27, 1978

Bob Lipshutz  
Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been forwarded to the Attorney General.

Rick Hutcheson

BAKKE DECISION

THE WHITE HOUSE

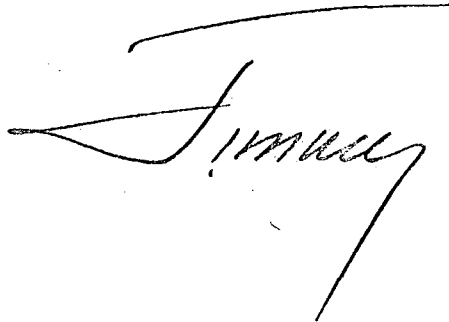
WASHINGTON

June 27, 1978

MEMORANDUM FOR THE ATTORNEY GENERAL

SUBJECT: Bakke Decision

In view of the importance of the Bakke decision, I would like to be sure that our response is carefully coordinated. I would prefer that we not make any public statements which go beyond the position already articulated in our brief or direct any specific agency actions until you and I have had a chance to carefully review and discuss the implications of the Court's decision.

A handwritten signature in cursive script, appearing to read "Jimmy", with a long horizontal line above it and a long vertical line extending downwards from the end of the signature.

THE WHITE HOUSE

WASHINGTON

June 26, 1978

C

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT  
BOB LIPSHUTZ

*Stu Eizenstat*  
*Bob Lipshutz*

SUBJECT: BAKKE Decision

A Supreme Court decision on Bakke is imminent. It will be of major importance not only substantively, but politically. Emotions will run high, regardless of the position adopted, and there will be great pressure for the Administration to comment publically.

We therefore suggest that you send the attached memo to the Attorney General and that we limit our reaction to a simple reaffirmation of the position enunciated in the Justice Department brief until we have had the opportunity to carefully analyze the opinion.



THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

EYES ONLY

June 26, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze <sup>CLS</sup>

SUBJECT: May Trade Deficit

Tomorrow at 9:30 a.m. the Department of Commerce will release the May estimates of merchandise exports and imports.

The news is relatively good. The trade deficit fell from \$2.86 billion in April (and \$2.79 billion in March) to \$2.24 billion in May.

Exports, rose by \$100 million, after a good performance in April.

Imports fell by \$500 million; although oil imports rose, many other categories of imports declined; deliveries of imported steel, which had bulged earlier as a result of purchases made to beat the trigger-price mechanism, fell by \$300 million.

We are not out of the woods. This is only one month. But it does help.

9:15 AM

THE WHITE HOUSE

WASHINGTON

MEETING WITH CONGRESSMEN ON TURKEY/GREECE

Tuesday, June 27  
9:15 a.m. (about 15 minutes)  
State Dining Room

From: Frank Moore *F.M./BR*

I. PURPOSE

To explain to the Congressmen your own deep commitment to lifting the Turkish embargo.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: This is the second of the two meetings with uncommitted Congressmen. (Congressmen Duncan of Oregon and Treen of Louisiana who are favorable will be in attendance also.)

This group is composed of approximately 24 Democrats and 13 Republicans undecided or leaning both pro and con. Some have had some foreign policy background, but others have little experience in foreign policy and know very little about your Eastern Mediterranean proposals.

When you enter, the group will have been briefed for 40 minutes by Secretary Brown, Warren Christopher, and General Allen.

B. Participants:

Rep Tom Bevill (D-Alabama)  
Rep David Bonior (D-Michigan)  
Rep William Brown (R-Michigan)  
Rep Bob Carr (D-Michigan)  
Rep William Clay (D-Missouri)  
Rep Silvio Conte (R-Mass.)  
Rep Butler Derrick (D-S.C.)  
Rep Christopher Dodd (D-Connecticut)  
Rep Robert Duncan (D-Oregon)  
Rep Frank Evans (D-Colorado)  
Rep Thomas Evans (R-Delaware)  
Rep Don Fuqua (D-Florida)  
Rep Robert Gammage (D-Texas)  
Rep Benjamin Gilman (R-N.Y.)  
Rep Bo Ginn (D-Georgia)

Rep Charles Grassley (R-Iowa)  
 Rep Lamar Gudger (D-N.C.)  
 Rep Tennyson Guyer (R-Ohio)  
 Rep Herb Harris (D-Virginia)  
 Rep William Harsha (R-Ohio)  
 Rep James Howard (D-N.J.)  
 Rep Thomas Huckaby (D-Louisiana)  
 Rep Abe Kazen (D-Texas)  
 Rep Mike McCormack (D-Washington)  
 Rep Gary Myers (R-Pa.)  
 Rep Mary Rose Oakar (D-Ohio)  
 Rep Leon Panetta (D-Cal.)  
 Rep Claude Pepper (D-Florida)  
 Rep Nick Rahall (D-W.Virginia)  
 Rep Matthew Rinaldo (R-N.J.)  
 Rep Robert Roe (D-N.J.)  
 Rep Paul Rogers (D-Florida)  
 Rep Louis Stokes (D-Ohio)  
 Rep David Treen (R-Louisiana)  
 Rep Paul Tribble (R-Virginia)  
 Rep William Whitehurst (R-Virginia)  
 Rep John Young (D-Texas)

Invited but not yet responded:

Rep Norman D'Amours (D-N.H.)  
 Rep Mickey Edwards (R-Oklahoma)  
 Rep David Emery (R-Maine)  
 Rep George Hansen (R-Idaho)  
 Rep Manuel Lujan (R-N.Mexico)  
 Rep James Oberstar (D-Minn)  
 Rep Danforth Quayle (R-Indiana)  
 Rep Bob Stump (D-Arizona)  
 Rep Wesley Watkins (D-Oklahoma)

Secretary Brown, Deputy Secretary Christopher,  
 General Allen available to answer questions

State: Nelson Ledsky

DoD: Jack Stempler

WH/NSC Staff: Anne Wexler, Bob Beckel, Jim Free,  
 Bill Cable, Madeleine Albright  
 Paul Henze

C. Press Plan: White House photographer

### III. TALKING POINTS

1. The Eastern Mediterranean initiative is the most immediate and urgent foreign policy priority on the current legislative agenda.
2. The proposals are designed to break the impasse which is (a) frustrating progress on the Cyprus problem; (b) straining relations with two valued allies, Greece and Turkey, and (c) contributing to the serious deterioration of U.S. and NATO security interests in the Eastern Mediterranean.
3. It is my conviction that the embargo is no longer useful and must be lifted.
4. Prime Minister Ecevit, while in Moscow last week, demonstrated once again that he is not going to take any sharp departures from his present policies. His talks with the Soviets included no new arrangements not in accord with principles already being followed by other NATO members.
5. We shall continue to meet with Congressmen and Senators to explain our program.
6. We have been explaining our program to the public. I pointed out the importance of the issue at a press conference recently. I also met with leaders of the Greek-American community and members of the Greek-American press to explain the reasons for my policy. I do not think that I persuaded them; I did not expect to. I did listen to their concerns, and I believe they appreciated that.

THE WHITE HOUSE  
WASHINGTON  
June 27, 1978

Tim Kraft

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Hamilton Jordan

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION  
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE

WASHINGTON

June 23, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT

SUBJECT: SUGGESTED TELEPHONE CALLS

Peter Flaherty - 412/261-1010

Former Mayor of Pittsburgh, former Deputy U.S. Attorney General, current Democratic candidate for Governor of Pennsylvania. Republican candidate is Richard L. Thornburgh of Pittsburgh, former U.S. Assistant Attorney General.

The Honorable Leo McCarthy - 415/564-7862 (h)  
415/557-2662 (o)

Speaker of the Assembly of the State of California, supportive to the Administration, absorbed with Proposition 13, helpful in the campaign and has recently been in the hospital.

Meade Esposito, Party Chairman of Brooklyn - 212/349-3500 (law office)  
212/875-5870 (party office)

It is difficult to determine what real strength a New York boss has anymore; but if there is any left, Meade controls the largest percentage of it. The knowledge of a Presidential call to Meade Esposito will travel fast and will be interpreted as a sign of our growing political sensitivity. He should be asked for assessment of the present situation in New York politics and then the conversation should close with an appeal for building a strong State and National Party. Tell him that we are going to be counting on him for his continued support and that Tim Kraft's office will be in touch with him.

Dom Manes = Carey strong. Carol Bellamy  
& female legislators all for Carey. Kuprak  
has no \$. Nothing we can do for Manes  
now. pleased. Will stay in touch with  
Tim & Ham.

me  
Ros  
Fritz  
Ham  
Frank  
Jody  
Jack, etc.  
assign all of us -  
regularly at least 5 key  
names weekly. (Standard  
form would help)  
J.C.

Tim  
done  
J

Staying in touch = Tim - Opponent  
has \$ - Public event for Pres to attract  
would help.

Law almonds → edema =  
Prop 13 may be good for  
Govt if poor not hurt too much.

Carey  
in  
trouble -  
wants to  
talk to  
Ham - will  
today

THE WHITE HOUSE  
WASHINGTON

June 27, 1978

Frank Moore

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: The Vice President  
Stu Eizenstat  
Hamilton Jordan



	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input checked="" type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION  
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

<input checked="" type="checkbox"/>	VICE PRESIDENT
<input checked="" type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	JORDAN
	KRAFT
	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE  
WASHINGTON

June 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *F.M./BR*  
DAN TATE *DT*  
BOB THOMSON *Bob*

*Frank -  
prepare for  
a battle -  
get early  
help in  
House*  
*J*

The Senate today approved an amendment to the Treasury appropriations bill restricting the use of funds for administering an oil import fee program. The vote was 49 to 39. All of our solid supporters in the Northeast voted against us on this issue. White House Congressional Liaison, Secretary Schlesinger, Energy Congressional Liaison and Treasury Congressional Liaison worked against the amendment to no avail. It was a very discouraging vote.

**CONFIDENTIAL**

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

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June 27, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CL.S*

Subject: Conversation with Count Lambsdorff  
on the Bonn Summit

On Monday, June 26, I met with Count Lambsdorff, the German economics minister. Much of our discussion focused on the Summit.

He indicated that the Germans clearly see our energy action as a quid-pro-quo for their taking stimulative action. He said the German negotiating position will not be set until after the EC Summit in Bremen on July 7.

In a brief private conversation -- with no advisers present -- he forecast that Schmidt would agree to a stimulative budgetary action of about DM 10 to 12 billion (DM 12 billion would be 1 percent of GNP). Such a stimulative action could raise German growth by perhaps 1-1/2 percent within a year after initiation. Stimulus of a significantly smaller amount would not really make much contribution to the world's economic situation, and would not be considered a forthcoming move by other Summit participants.

Lambsdorff indicated that U.S. energy action along the lines we have been proposing was necessary to get German action on growth. He was clearly apprehensive over our ability to deliver on any commitment. In this connection, he questioned me closely on the ability of Congress to override a Presidential decision to impose fees or quotas.

cc: Ambassador Henry Owen

CLASSIFIED BY *[Signature]*  
SUBJECT TO GENERAL DECLASSIFICATION  
SCHEDULE OF EXECUTIVE ORDER 11652  
AUTOMATICALLY DOWNGRADED AT TWO  
YEAR INTERVALS AND DECLASSIFIED ON DEC. 31 *1986*

**CONFIDENTIAL**

*Jay 9/4/90*

THE WHITE HOUSE  
WASHINGTON

June 27, 1978

Hamilton Jordan

Tim Kraft

Jim Gammill

Peter Bourne

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

RE: HUNGER COMMISSION

dangled from overhead conveyor belts, glided swiftly from killing rooms to scalding vats to plucking machines. On through files of human dressers and cutters they went, and finally into packages ready for freezing.

"They're coming off the line at the rate of 150 birds a minute," Brooks said proudly. "That means 140,000 a two-shift day. We use everything but the cackle. The feathers we grind up to make feather meal that goes back into our chicken feed. The viscera we process to make dog, cat and mink feed."

The Boaz plant spouts out an annual \$1,876,000 in salaries to its 600-odd employees, has brought lively business year-round to the merchants of Marshall County.

**Look and Find.** Atlanta bank vice president William A. Sutton declares that "Nobody has done more to raise the sights, ambitions and prosperity of Southern farm people than D.W. and his CPA." Ole D.W., however, never rests on his laurels. He keeps on looking for—and finding—other ways to hike farm incomes, cut food costs. At a new model cattle feed lot at Valdosta, Ga., Brooks and his researchers are trying to lower the price of steak by making steers grow faster on less but better food. In only two years of experimenting, they are already making progress: they now get a pound of beef for 6½ pounds of cattle feed—a 12-percent improvement over the average feed-conversion ratio.

For floundering peanut farmers

who joined CPA, Brooks and company worked another kind of miracle. At the co-op's Graceville, Fla., peanut research center, scientists learned to lick "goober" problems one at a time. Among their innovations: new varieties of chemically treated seeds which defy six kinds of growth-stunting fungi. Now CPA is the nation's largest peanut processor, and has played a signal role in increasing U.S. peanut yield from 969 pounds an acre in 1957 to 1827 pounds an acre in 1967. This breakthrough is the more significant because much of the soil and climate in underfed Asia and Africa are ideal for growing high-protein peanuts.

Brooks is also trying to promote fish-farming. "Nearly every farm in the South," he points out, "has a pond. What we want to do is turn these ponds into fish ponds. Through the use of more high-powered pond fertilizers and fish foods, fish crops can be harvested by the ton every few months. Then, while hiking their own incomes substantially, part-time 'fish farmers' may provide another major protein source to help feed the world."

**"You Can Do It."** These days, Ole D.W.'s most urgent business is his effort to help famine-threatened nations learn to feed themselves before it's too late. "Starvation anywhere is *everyone's* greatest enemy," says Brooks. "It's a threat to peace. If a country gets hungry enough, it will fight its neighbor for food." Accordingly, every year, CPA plays host to more than 1000 visitors from less-

developed nations, some of them communist. No secrets are withheld. Everyone is not only allowed to study CPA's model farming machinery and methods, but urged to imitate them—and prosper. "You *can* do it, of course," Brooks assures the visitors. "How do I know? Because once our farmers were nearly as bad off as yours are, and look at us now!"

Ole D.W. has definite ideas on how to cure the poverty that dogs struggling nations, and he voices them loud and clear:

"Let's try to break the paralyzing grip that big government is getting

on agriculture in too many countries today. Farmers can always run their own business better than somebody far off in the capital can."

He objects to federal tampering with all-out production. "How can we talk about producing 'too much food,'" he asks, "when two thirds of the world's population is undernourished, when we know that if we and every other country don't learn to produce an almost impossible amount of additional food, we'll soon have the durndest famines history has ever seen? The problem of the century is to grow enough food, and to get it spread around!"

## A Reader's Digest

REPRINT

# A Super-Farmer Attacks Global Poverty

By ALLEN RANKIN



THE READER'S DIGEST • PLEASANTVILLE, NEW YORK

Georgia's D. W. Brooks shows the poor and hungry of the world how private enterprise can help them to help themselves

Condensed from  
THE ATLANTA JOURNAL AND  
CONSTITUTION MAGAZINE

ALLEN RANKIN

## A Super-Farmer Attacks Global Poverty

HE IS A gangling, six-foot, 66-year-old farmer who scrambles as hard as a professional quarterback in a worldwide economic scrimmage which, for him, goes on 18 hours a day. One of poverty's most formidable foes, he is not a swivel-chair "anti-poverty expert" who gets his pay from Washington, but a man who pays his own way in life, and helps millions of others to pay theirs, whether he is tearing down the back roads of his native Georgia or urgently jetting around Asia or Africa.

When Atlanta's David William "Ole D.W." Brooks speaks up on how to beat hunger and deprivation, ministers of agriculture the world over listen with respect. So do U.S. Presidents: he has been a valued adviser to the last four Chief Executives. For Brooks has built a handful of destitute Georgia farmers into the South's biggest coöperative, a flourishing empire that has liberated hundreds of communities, from North Carolina to Arizona, from their King Cotton, one-crop economy. Misleadingly called Cotton Producers Association, this diversified agribusiness has 7000 employees to serve its 150,000 members, last year grossed \$245 million for them.

CPA owns and operates more than 60 major installations—processing plants, warehouses, research laboratories, stores—and its new headquarters is one of the most beautiful buildings in Atlanta. It runs both the biggest fertilizer op-

eration and the biggest mutual-insurance company in Georgia. Its remarkable sales force (led in times of crisis by D.W. himself, rushing unannounced into the offices of potential buyers anywhere) may hawk 100 tons of frozen Alabama drumsticks to Japan or, ducking behind the Iron Curtain, market 400,000 bushels of Southern corn in Poland. Operations have become so efficient that, despite rising tariffs in some of the 30 countries with which D.W. now does business, CPA can still sell these nations chicken and other products more cheaply than can local producers.

**Do-Teaching.** It's all a far cry from 1925, when farmer's son Brooks was a young agronomy instructor at the University of Georgia. At that time, the average Southern farmer was poorer than most slum-dwellers of today. On washed-out, eroded land, with sorry seed and fertilizer and worse marketing facilities, most cotton farmers cleared just enough from each harvest to guarantee a more dismal failure the next season. "All you're producing is poverty!" teacher Brooks chided his students and their fathers. "And that's all you'll deserve until you get smarter. The only way you can get a higher standard of living," he hammered home, his blue eyes earnest, his twangy voice beseeching, "is to *earn it for yourself*, by increasing your own individual productivity."

Then the Depression hit, plunging the state's per-capita farm income to only \$72 a year, the price

of cotton to a nickel a pound. In the critical winter of 1933, some of Brooks' farmer friends pleaded with him, "Why don't you quit telling us what we ought to do, and come help us do it?"

"They're right," Brooks said to his wife, Ruth. "It's too late for talk-teaching. Do-teaching will be faster."

Turning down both the University of Georgia's offer of an associate professorship and a chance to go into an assuredly profitable business for himself, he joined five hard-up-against-it farmers to form CPA. The little group, who had scratched up \$2100 to start the partnership, told Brooks they'd pay him \$5000 a year to manage it. "No, you won't," D.W. corrected them. "If you start paying me that kind of money, we'll be sure to go broke. I'll start at \$2400."

Somewhat bug-eyed, the fledgling co-op's members heard Brooks proceed to outline wildly ambitious plans. "Small farmers like us have got to pool our resources, buy our own supplies, operate our own market outlets," he declared. To members who couldn't afford good shoes, such grandiose notions seemed impossible, even crazy. Yet, somehow, Brooks talked a soft-hearted Atlanta banker into lending the group \$3500 to buy a fire-damaged cotton warehouse. He hired four cotton graders, and put out the word that local farmers would no longer be at the mercy of arbitrary buyers, that from CPA they would receive premium prices for quality cotton.

Incomes began to rise. Even so,

many of the growing co-op's members soon wished they'd never heard of their hard-driving manager. He insisted that they borrow all they could, even if it meant real sacrifice, to invest in the superior seeds, feeds and fertilizers that CPA began to develop and promote.

When some of the co-op's directors rebelled at this "extravagance," Brooks quietly told them, "You hired me as your doctor. Either take my medicine or stay sick. I told you these prescriptions would work; I didn't say they'd be easy to take."

Complaints subsided when once-dusty fields turned lush green, when cotton yields sprang up dramatically from half a bale to three bales an acre in some areas. Farmers who had been raising "just enough corn for the mule" learned to produce ten times that much, and had "corn money" left over for their families.

**"Everything but the Cackle."** Chicken was the most spectacular star of Ole D.W.'s program. By the mid-1940's, government controls on cotton had left many farmers with such small acreage allotments that they could no longer eke out subsistence from cotton alone. The scientific raising of broilers, Brooks decided, would offer an ideal means of supplementing their income. Hiring some of the best poultry experts and researchers in the country, he eventually set up completely integrated assembly lines for handling broilers from egg to market stage.

Today CPA runs one of the largest poultry combines in the world. It

works this way: CPA breeder-flock owners deliver eggs to the co-op's eight hatcheries; the hatcheries supply CPA broiler-growers with day-old chicks; the growers furnish market-weight chickens, many thousands at a time, to the co-op's four vast poultry-processing plants in Alabama, Florida, Georgia and North Carolina. Last year, these plants processed more than 100 million broilers.

Keeping his poultrymen out of government-control programs has taken no little doing. Two winters ago, during a period of overproduction, the price that many farmers received for broilers plummeted to an alarmingly low ten cents a pound. As in some earlier crises, federal agents asked temptingly, "How can we help you? What kind of subsidies or price supports would you like?"

"No kind!" thundered Brooks. "Federal 'help' programs have the tendency to move in and take over—and we've had far too much of that already. Just lay off the poultry industry, and we'll make our own adjustments." Sure enough, today the poultryman can make a profit at 14 or 15 cents a pound live-weight; and the housewife gets plumper, tastier, dressed meat for 29 to 39 cents a pound—as against 59 cents a pound 15 years ago.

Near the little town of Boaz, Ala., once an especially depressed area, Brooks gave me a glimpse of one of the co-op's model processing plants. Lines of chickens several blocks long



THE ATLANTA JOURNAL AND CONSTITUTION MAGAZINE  
(DECEMBER 10, 1967), © 1967 BY ATLANTA NEWSPAPERS,  
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Phone (404) 393-5154

D.W. Brooks—Chairman of the Board Emeritus

June 5, 1978

Personal

Mr. Frank Moore  
Assistant to the President  
for Congressional Liaison  
The White House  
Washington, D. C. 20500

Dear Frank:

I am enclosing a letter which I would appreciate your passing on through to the President.

Charlie Kirbo has told me several times that he has a special number he can put on the envelope which will go directly to the President, and that he will be glad for me to use that number any time I want to do so. But, I think it will be more convenient for me just to send these letters to you and let you pass them through to the President.

However, if this becomes a burden to you, feel perfectly frank to tell me, and I will let Charlie pass them through for me.

Yours sincerely,



D. W. Brooks

DWB:bw  
Enclosure

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CONGRESSIONAL  
PERSON  
JUN 9 1978

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Phone (404) 393-5154

D.W. Brooks—Chairman of the Board Emeritus

June 5, 1978

Personal

President Jimmy Carter  
The White House  
Washington, D. C. 20500

Dear Mr. President:

Several weeks ago I had some information out of The White House that you had become intensely interested in our problems of world hunger and that you were thinking about setting up some kind of commission or task force to deal with it. I had also heard that I was being considered for the chairmanship of this commission. I immediately tried to pass the word back that I felt some younger person should be the chairman.

Since I have spent a lifetime working on the problem, I still have an intense interest in it. In fact, the thing that motivated me most in leaving the University of Georgia as a professor of agricultural economics and science, and organizing what is now Gold Kist, was the poverty and hunger situation we had at that time. The per capita income of farmers in Georgia was \$72, and we had just as bad a situation as we now have in Asia, Africa and parts of South America.

I felt we had developed enough agricultural science and economics so that if we could get it through to the individual farmer we could largely cure this problem. If we could use what is now Gold Kist to move all research from the College of Agriculture and Experiment Stations, as well as research in Gold Kist itself, immediately to the membership, in that way we could greatly speed up the economic well-being of the individual farmer.

After I started trying to develop Gold Kist, I also became intensely interested in our hunger situations throughout the world. So I have worked in a number of situations around the world to try to stop mass hunger, particularly in countries like India.

Recently I have been advised that you still wanted me to serve on this Commission as a member, which of course I am willing to do. However, I would like to ask one thing, and that is that you put at



least some people on the Commission who have had practical experience in trying to stop hunger in the world.

For example, Owen Cooper worked with me and several other people to help build a very large fertilizer complex in India, which has at least temporarily stopped mass hunger in that country. I think it would be most helpful if Owen could be put on the Commission.

I have no idea whom you are thinking about appointing, but I have been on many boards and many commissions and the problem with many of them is that you only have theorists who have plenty of emotions and compassion but no real training in this field. Therefore, they were unable to make much real contribution.

I know it can be done because when Chiang Kai-shek came off the mainland of China fortunately he brought off with him one of the great Chinese agricultural scientists who was a classmate of mine at the University of Georgia. I have worked with him on Formosa since that time. Formosa is now one of the most productive places on earth. Yet, when I first went to Formosa working with my Chinese friend, they had as much hunger and nakedness as any place on earth.

I also worked with President Truman when he developed the Point Four Program. Dr. Bennett was head of that program until he was killed in a plane crash in Iran. Dr. Bennett was one of my closest agricultural friends. He became President of Oklahoma A&M when he was 33 years old. He was one of the most brilliant people I have ever known. Except for his death, I think we would have solved some of these hunger problems around the world many years ago.

So, all I am requesting is that you appoint at least a few people who have had actual practical experience in trying to help solve this world hunger problem in different places of the world.

You may be interested in an article that was written a number of years ago by Reader's Digest concerning my personal interest in world hunger. Copy of this article is enclosed. There has been no change in my intense interest in this problem.

Yours sincerely,



D. W. Brooks

DWB:bw  
Enclosure